

JPRS-WER-85-035

1 April 1985

# West Europe Report

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1 April 1985

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POLITICAL

DENMARK

FOREIGN MINISTER ON U.S., USSR ARMS TALKS, EC FOREIGN POLICY

Copenhagen BERLINGSKE TIDENDE in Danish 24 Feb 85 p 15

[Article by Foreign Minister Uffe Ellemann-Jensen: "When Europe Speaks with One Voice"]

[Text] The year 1985 is an important one for Europe. The American-Soviet arms control talks that have now begun do not just concern relations between the two superpowers, they are also important with regard to peace and security in our part of the world. EC's expansion talks with Spain and Portugal and the important discussions among the EC countries on improvements in European cooperation will also reach a climax this year.

In this context it is also important to be concerned with the "European political cooperation (EPS)" that provides a framework around the foreign policy cooperation of the ten member nations.

Foreign Minister Giulio Andreotti said something very incisive about the European political cooperation recently when he presented the Italian leadership's plan for EC cooperation in the next half year:

"Especially in a period of flux in international policy, which for various reasons we seem to be heading into again at the beginning of 1985, it is absolutely necessary that Europe use all available means to assert itself, to defend its own interests and confirm European ideals."

After having participated in EPS for more than 12 years and having seen this cooperation develop into a central element in Danish foreign policy, this is a view I can support wholeheartedly.

In this period EPS has given the Danish foreign policy decision-making process an information base that we never had before and that has decisively increased the power behind Danish viewpoints when they have been expressed in a joint position on the part of the ten EC countries.

Before the popular referendum in 1972 warning voices were heard to the effect that participation in EPS in particular would undermine Denmark's sovereignty. But as in so many other instances these warnings have turned out to be entirely unfounded.

Today EPS is an important forum for the discussion of central foreign policy questions by all the EC countries. The exchange of information and the construction of a joint external policy which has taken place have made it possible for the ten countries to speak with one voice in a number of important areas and thus influence international developments in a way that has been in the interest of everyone and that would never have happened if each country had spoken out individually.

This is especially true in the East-West area, which is probably the foreign policy issue of the greatest immediate importance for all ten EC countries.

This has been expressed among other things in the cooperation of the ten lands in active participation in preparing and following up the Conference on Security and Cooperation in Europe (also known as the CSCE conference). In the same way the ten lands played an active role in the European disarmament conference (CDE) now taking place in Stockholm.

But also when it involves maintaining the political dialogue between East and West in general--especially in recent years when this has been particularly urgent because of the relations between Washington and Moscow--the ten countries have been the most forceful spokesmen for this policy which must be seen in parallel with the necessity of maintaining the military balance between the two blocs.

Ordinarily, of course, these questions are discussed and dealt with primarily by the foreign ministers of the ten lands and their staffs. But these topics are also on the agenda of the European Council which is made up of EC heads of state and heads of government along with their foreign ministers.

Thus the European Council, which meets three times a year, takes up both the matters of common authority that lie within the cooperation outlined in the charter and the foreign policy issues that are discussed within EPS.

At its most recent meeting in Dublin (in December 1984) the European Council issued a comprehensive statement on East-West relations. Special emphasis was placed in this statement on the political dimension of relations between East and West, i.e. the need for keeping the East-West dialogue going.

The statement is important as a European contribution to East-West relations. And it is an indication that we in western Europe are prepared to discuss the line we Europeans want to follow in the coming phase in which Washington and Moscow have started bilateral discussions of all aspects of the security policy situation between East and West.

There is growing support among EC member lands for efforts to strengthen and expand EPS and EC cooperation.

The final goal of the European integration process has never been formulated but since 1973 there has been agreement on using the designation "European Union" for this more integrated EC/EPS cooperation.



All Danish governments during the last 12 years of EC membership have supported the idea of European Union!

This has been expressed in a number of statements and concluding texts from EC summit meetings, which since 1975 have been called European Council meetings.

In the Copenhagen report on EPS cooperation since 1973, which was approved by the then nine member countries' foreign ministers, it was stated that "co-operation in the foreign policy area should be regarded from the angle of the European Union." And in 1976 then Prime Minister Anker Jorgensen told Folketing that he had no doubt that the vast majority both in Folketing and in the population would support the government in a positive stand on the European cooperation, even under the title of European Union.

Against this background it is somewhat surprising that EC opponents in Denmark have been able to conjure up aversion to the idea of union.

"Union" has become the big monstery in the European debate in this country. But let me make it clear once and for all that the word union has no clearly defined meaning either legally or politically.

The idea of union can be used with respect to all kinds of interest organizations, i.e. societies, leagues and cooperations, whether we are talking about the Danish Ballgame Union, the Nordic Passport Union or the International Postal Union.

What is wrong with that? The difference between the United Nations and the United States, both of which are based on the concept of union, shows quite clearly that this word can be used to designate all forms of uniting together.

Thus as far as Europe is concerned it is not the use of the term "European Union" that will change the cooperation pattern within EC and EPS. It is solely the content we give this cooperation that matters.

Regardless of how one looks at it Denmark's future is inextricably bound up with developments in the rest of Europe. And here the European Community has become an important factor.

Therefore we in Denmark should make use of our EC membership to influence European developments as much as possible--and thus also influence developments in the world around us.

EPS has proved to be a useful tool here. As mentioned above this applies to East-West relations but it also applies to events in the Third World. The Middle East and Central America are good examples of this.

It is often said that "the train is about to leave" when it comes to the work under way concerning Europe's future.

I think that as early as 1985 we will see the first results of the forces that are acting to strengthen developments in the European cooperation.

It has been of great importance for Denmark in the postward period that we have taken part in the foreign policy discussions in the various regional associations that have been established among the western countries, which is where we naturally belong. This is true of the meetings of Nordic foreign ministers, to which we assign great importance, and it is true of EPS with regard to cooperation within the European Council as well as within NATO.

Nor should there be any doubt that Denmark's place lies in the European co-operative effort.

It is important for us to take part, which enables us to participate in--and influence!--the decisions that are made about the direction in which the European train will move and how fast it will go.

The alternative would be to detach ourselves and drive onto a sidetrack with no opportunity to influence things or take part in the future development of Europe.

It is with this in mind that in the months ahead we must take a stand on such things as our relation to the foreign policy cooperation among EC countries.

The most important thing for Denmark is that we maintain our involvement in the European cooperation, including the foreign policy work within EPS. Only in this way can we present our views effectively and thus achieve influence over developments in the world that we and our descendants will have to live in.

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CSO: 3613/120

POLITICAL

DENMARK

# SCHLUTER ON UNREST AMONG LIBERALS, COALITION FUTURE

Copenhagen BERLINGSKE TIDENDE in Danish 24 Feb 85 p 6

[Interview with Prime Minister Poul Schluter by Solveig Rodsgaard; date and place not given]

[Text] . After the debate on ideology in one government party or another the prime minister looks at the position the four government parties share and stresses that the Conservative Party is moving toward the middle and could risk losing its right-wing group.

The Folketing members of the four government parties have a right to mark their independence. But the superordinate goal is and should be the government's solidarity and the voters will be uneasy if problems arise among the government parties.

Prime Minister Poul Schluter said this after the hectic debate that occurred when the Liberals appointed a perspective committee and some Liberals brought up ideology. The prime minister also stressed with respect to his own party that minority groups within the Conservative Party must understand that when the party has such a broad base the minorities cannot get their own way all the time.

And ideology is outdated anyway, in the prime minister's view. Instead the government parties should outline a position that contrasts with that of the Social Democrats.

"Ideologies turn too easily into rigid dogmas and constricting systems. I would rather talk about the view of mankind, the view of society, political ideas and positions. When I think of my own party, it is definitely not just a pragmatic party that works for concrete results and a solution to economic problems. Our basic orientation is respect for the individual, the need to give the individual person and the individual family the greatest possible amount of freedom to choose their own way of life and give it the meaning they want. Belief in private ownership--not so much for economic reasons but because respect for private ownership has proved to be the prerequisite for other rights and freedoms everywhere in the world."

## Joint Position

[Question] That is some of what the Conservative Party stands for, but is it true of the other government parties?

[Answer] These views may be very characteristic of the Conservatives. But if I take the four-leaf clover as a whole, I think the four parties agree more than they differ in their basic political thinking. Each of the four parties has and therefore wants to profile its own special characteristics. That is quite natural, for we are four independent parties. The Christian People's Party puts the emphasis on having Christianity as a foundation. CD [Center Democrats] stresses the western defense community, European political cooperation and some strong ideas in the cultural debate. The Liberal Party is definitely liberal in tone, but it does not advocate liberalism's ideas in the same way as Liberals did 50 years ago. Thus each of us has his unique characteristics and I view it as a big plus that the four parties are now working together politically, because the sum of the political attitudes of the four parties shows that they do an excellent job of supplementing each other.

I also think the voters realize that the four parties are united by more than they are divided by. But at the same time I would like to measure what the four of us stand for against what the Social Democrats stand for. The establishment of the four-party coalition shows that it is the biggest political movement in Denmark that has now been entrusted with the leadership in the form of responsibility for the government. We four in the coalition are a larger popular factor in society than the Social Democratic Party. In the last election the Social Democrats got enough voter support for 56 seats. We got enough support for 77 seats and must therefore stand for something that has a stronger popular base. That is especially valuable when the four of us stand together. The Social Democrats have lost their monopolistic status.

## Bookkeeping Job?

[Question] The four-party coalition has now held government power for 2 1/2 years. But don't you feel that it is still a little difficult to say what the nonsocialist movement really intends to do, since you have mostly acted as repairmen for the Social Democratic system?

[Answer] We started with a restricted task. The national economy had been run down and things had to be straightened out and I think that has gone very well. But this is not just a bookkeeping job. After all the national economy is the background for people's existence. The more of a muddle there is in the economy--public as well as private--the more hopeless the debt problem becomes, the more initiative and enterprise are discouraged, the less opportunities there are for people who want freedom of choice. Economic health leads to political freedom.

I think most people want a government and a Folketing that see to it that the external things--the legal system, the health system, social services, etc.--



function and that an economic policy is pursued that protects our businesses. But I think most people would add: "And otherwise we would like to be left in peace. Don't come and impose too many attitudes and rules on us."

#### Attitudes

[Question] Do you discuss attitudes in the government or are you too busy with the economic recovery?

[Answer] We discuss attitudes a lot. When we discuss legislation we look at the technical aspects, of course, but we also try to look at the attitudes behind it. When we go through proposed legislation in various ministerial committees and at Tuesday's government meetings we make an effort to look into whether it is marked by the basic attitudes on which the four parties agree. It is the sum of the many pieces of legislation we present over a number of years that will show whether we are putting our mark on social development in the direction of the view the four parties have of humanity. I am quite sure that the people will discover that. But you must remember that we are all moderate parties. We are not extremists who want a total break with everything that has affected the development of society in the last few decades. A great deal needs to be corrected, but even so I think voters for the four parties recognize many positive features in the structure of society. We do not want a revolution.

#### Conservatives Seeking Middle Ground

[Question] You say the four parties are moderate ones. Are you equally moderate or do some of the parties lie more to the right than others? It has been said in the public debate, for instance, that the Liberal Party has gone more to the right while the Conservatives are seeking middle ground.

[Answer] One can take a specific political theme and arrive at the result that in the oldfashioned sense CD lies farthest to the right on that issue. One can examine another theme and discover that on that issue the Liberals are farthest to the right. One can look at a third theme and say that the Conservatives are the most right-wing on that issue. One cannot simply place the four parties on a scale. But it is quite true that the Conservative Party is seeking contact with voters in the middle of the spectrum. Today the Conservative Party has a very broad base of voter support. We have many voters who are independent, many more who are wage earners, many LO [Danish Federation of Trade Unions] members, many retired people, many young people. We have voters in all income brackets. In the election on 10 January of last year we received greater support than ever before and I am grateful for that. But it also gives us a responsibility. It obliges us to show that the people who voted for us can still feel that we are living up to their trust. There are a good many Conservative voters who are standing on the right and they certainly have a right to do so. But there are also many who are in the middle spectrum of the Danish electorate. And assembling these groups requires of course that we try to express some ideals and solution models that people would like to support, regardless of where they are located on the tax scale, for example.

## Losing Right Wing?

[Question] If you must continue to have wide support, perhaps even more than in the last election, will you move so much toward the middle that you might risk losing the right wing to the other government parties?

[Answer] Things might go that way. Everything has its price. Today the Danish people are not divided up politically according to their tax bracket, as they were in the old days. I think the vast majority of voters are attracted by leadership, that they choose a party after evaluating whether the party and its politicians are capable of running the country effectively, authoritatively and responsibly. Voters do not cast their ballots on the basis of single issues or trifles.

## Social Democrats

[Question] Where are the big voter groups for the Conservatives today?

[Answer] There are some who support us because they feel like true conservative voters. There are others who vote for us because they think it is the wisest, most sensible and most correct choice, even if they do not feel very conservative ideologically. I have also permitted myself to say that I may be conservative, but not so much so that it matters. And I think many people feel the four-party government stands for a philosophy of a greater degree of freedom and the recreation of a new atmosphere in Denmark.

[Question] Many people in the Social Democratic ranks?

[Answer] Yes, that is what I mean. Those are some of the voters we must hold onto. Here too we find many young people as well as the elderly. If there is any group that has always felt anxious if things go wrong with the Danish national economy then it is the group of older voters. They think a lot about the future for their children and grandchildren. Are there any groups we scare away? The extremists, certainly. But I have nothing against that. I would say that the Conservative voters today are probably the most broadly rooted voter group in the population and I consider that a hallmark. I have always dreamed of this. But it also makes things harder, for the bigger a party is the easier it is to have a minority faction within the party that is not entirely satisfied. One must try to live with that and deal with it. Try to explain: "Dear friends, we are now a very large family, now we have to consider each other's feeling and understand that no group can get its own way all the time."

[Question] Where will the extremists go?

[Answer] I am reluctant to provide any directions. And I do not want to reject anyone either. In the Conservative Party there is the group on the right and the group in the middle, which is much larger. That is not so surprising, since most Danish voters are moderate and analytical when they take a stand. They usually reject dogmas and outdated political ideologies, all of which have their roots in the last century.

Prime Minister and Party Chairman

[Question] As prime minister you have always tried to smooth things over--both in the case of the Liberal committee and at other times--and talk about solidarity and the superordinate goals. When are you the party chairman?

[Answer] I am party chairman also. But I must admit that when I had the unique challenge of becoming prime minister for the four parties I told myself from the very first that it was my primary and most important task--and challenge--to make the four-party coalition a success. The four parties have to find a common denominator and if one of them ever decides to let the group down and break away the voters will pass a harsh sentence, which I think would be justified and reasonable.

No, I do not use the whip. That is not like me. There are other methods that are more effective and more suitable. I think we in the government are experiencing a unique degree of solidarity among the 21 ministers. But we do have 77 members in our various Folketing groups and it is obvious that they feel a need to demonstrate their independence. I understand that perfectly. For this reason we occasionally have an episode or a little problem, although so far it has been possible to solve all of them. But I must say, after a somewhat restless period in recent weeks, that everyone in the Folketing groups of the government parties must have noted from people's reactions that they become uneasy if there is any friction. They do not want that. They want stability and they want to feel confident that the four-party government can keep going.

I view the coalition as a historic chance. It is our duty to make things work for the next 3 years until we have the next regularly-scheduled Folketing election. Then we must throw ourselves into the election campaign and make sure that we win and then people will note that the four-party government has become much more than the brief episode in the history of Denmark that many people predicted it would be when we took office. But if the four-party co-operation breaks down, it is not certain that we will see its like again in this century.

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CSO: 3613/120

POLITICAL

DENMARK/GREENLAND

BRIEFS

GREENLAND GETS OWN FLAG--The fact that Greenland is getting its own flag does not mean that the Danish flag will be a thing of the past. It will continue to wave side by side with the new flag which will be flown for the first time on Greenland's national day, 21 June. Twelve years after the idea was first brought up, Greenland got a special flag, a home-rule flag, last week. This occurred in the Landsting with a secret written ballot on two proposals: one with and one without a cross. The banner with a white cross on a green field lost, getting 11 votes, while the proposal without a cross received 14 votes. The vote cut across party lines, although the 11-14 figure leads to thought associations after the statements from the left wing recommending the proposal without the cross. The next step in the flag issue is that the Greenland Landsting will ask the Danish Folketing for an authorizing law and when the flag law with usage rights is ready the queen will be asked for permission to use the new flag. [Excerpt] [Godthaab GRONLANDSPOSTEN in Danish 20 Feb 85 p 2] 6578

CSO: 3613/120



POLITICAL

FINLAND

BROADCASTING OFFICIALS STAND UP TO KOIVISTO ON CENSORSHIP

Oslo AFTENPOSTEN in Norwegian 28 Feb 85 p 9

[Article by Jan-Anders Ekstrom]

[Text] Helsinki, 27 February--The management of the state-operated Finnish Broadcasting Company has rejected President Mauno Koivisto's attempts to gain control over the use of his earlier statements in radio and TV.

"I do not support the idea of limitations," said the director general of the broadcasting company, Sakari Kiuru, last Wednesday.

The president's office sent a letter on this matter to the highest administrative organ of the Finnish Broadcasting Company, the Administrative Council, which is appointed by parliament. This letter proposes that statements by the president that are more than 24 hours old could not be quoted without the president's knowledge and permission.

In the letter, the president's office points to three different reports in recent news programs and claims that in all three cases previous statements by Koivisto were used in a misleading manner. On Wednesday director general Kiuru said that these reports had been studied thoroughly and that there had been no intentional distortion in any of the three cases. It was a matter of interpretation and, in addition, "Editors can make mistakes, after all," Kiuru said.

The real problem is that Koivisto often makes statements that are obscure and difficult to understand.

In a reply to the president's office, two other directors of the Finnish Broadcasting Company state that the "journalistic activities that affect the president cannot be based on principles differing from those applied in other areas of news reporting." They also reject the idea of a prior warning system, "which would be in conflict with the position of the Finnish Broadcasting Company as an independent information source."

The position of the politicians on the Executive Council will not be known until sometime in March.

It is known that the president's office wants to reach a regulatory agreement on the use of quotes with the commercial broadcasting company, Reklam-TV, as well.

POLITICAL

FINLAND

CP STALINIST WING NEWSPAPER ON ESTONIA, USSR MISSILE INCIDENT

Finland's Anti-Estonia Campaign

Helsinki TIEDONANTAJA in Finnish 7 Feb 85 p 2

[Editorial: "Soviet Estonia Subject of Attack"]

[Text] For many reasons imperialism has chosen Soviet Estonia as one of the subjects of its anti-Soviet propaganda war.

Reactionary forces have looked for an incentive for their campaign of lies from history and the incorporation of Estonia into the USSR. The approaching of the day of victory is now a timely impetus. The geographical position of Soviet Estonia and the range of so-called Western influence are considered to offer special possibilities. The fact that relatively nearby there is an Estonian emigre community in Sweden, on whom the sabotage centers of the West have a strong hold, is being used to the best of advantage.

Soviet Estonia offers the reaction opportunities to combine the general anti-Soviet "human rights propaganda" campaign with propaganda about national oppression and "Russification". Here there is an arrogant use of lies and distortions. The reaction counts on the fact that the public targeted for this propaganda cannot obtain the facts as a counterbalance and does not possess the necessary conditions for understanding the nationalities policy, the relations between nationalities or the rapprochement of nationalities and in part the process of assimilation in the Soviet Union.

One factor in the selection of Soviet Estonia as a subject of the propaganda war, which is important, is connected with Soviet Estonia's exceptional achievement in the areas of economic, social and cultural development. Estonia is a leader among the Soviet republics with respect to many indicators. The forces of foreign reaction are attempting to use the justified pride awakened in the Estonians by these achievements for fomenting nationalism and placing one nationality against another.

The "Finnish distinction" in the campaign against Soviet Estonia is a game of speculation played with ethnic kinship and relationship as well as with a comparison of Finland's history with the "fate" of the so-called Baltic countries. It appears that even those quarters in our country which hesitate to

attack friendly relations with our neighbor, in general, are using the fig leaf of ethnic kinship to participate in the anti-Soviet campaign or to condone it.

It is no accident that the campaign against Soviet Estonia in Finland is a fashionable aspect of anti-Soviet propaganda. The appearance of literature serving this campaign in our country, the systematic activism of HELSINGIN SANOMAT in this issue, and the penetration of the campaign into the Finnish Broadcasting Corporation are not just a coincidence of events developing from within the country. Finland as a country and the Finnish right wing have been reserved a special role for the above-mentioned reasons in the propaganda and sabotage centers of imperialism. The Finns who spit upon Soviet Estonia fulfill this role, some knowingly, some unknowingly.

There is no point in imagining that the campaign against Soviet Estonia can continue without damaging friendly relations between Finland and Estonia and friendly relations between Finland and Soviet Union in general. This matter should also be treated with the same degree of seriousness.

#### Norwegian provocation in Missile Incident

Helsinki TIEDONANTAJA in Finnish 5 Feb 85 p 2

[Editorial: "Norway's Provocation"]

[Text] The events of recent days have demonstrated with complete certainty that the missile which strayed into Norwegian and Finnish airspace at the end of last year was not a tactical missile any more than a long-range cruise missile. Even the U.S. Department of Defense has had to admit this fact, and certainly with extreme reluctance.

Indeed, there is reason to ask whether Norway's military officials acted contrary to more reliable information or was it a question of intentional provocation in the allegation that it was a question of a tactical cruise missile, which was probably destroyed in the air.

One gets the impression that the Norwegians initially thought that the "unidentified object", which they had labelled as a cruise missile, had fallen on the Soviet side "after its destruction in the air". And it was for this very reason that it was convenient to call the target missile a cruise missile since the only counterarguments in this incident would have come from Soviet officials.

What then is the reason that the Norwegians, apparently even contrary to the information in their possession, insisted on alleging that the object in question was a cruise missile. Certainly this provocative conduct is in part explained by a desire to negate the content of President Mauno Koivisto's New Year's Day speech. Indeed, Koivisto talked about the necessity of an international agreement banning cruise missiles.

But this is not the whole story. Norway's right-wing forces most apparently wanted to make their own contribution to the cultivation of anti-Soviet public opinion, which the NATO circles also need internationally in addition to its domestic use in Norway.

By means of an anti-Soviet campaign developed on the pretext of "cruise missiles", the intent was, among other things, to turn public opinion in Northern Europe against the initiative concerning a nuclear-free Nordic zone and the movement to make it a reality, to bind Norway ever more closely to NATO, and to create problems for friendly relations between Finland and the Soviet Union.

However, the NATO circles once again drew a blank.

At the same time there is reason to praise Finnish officials for their moderation and caution, which have been subjected to abundant criticism in the foreign as well as domestic press. And the reason for this criticism was apparently only the fact that Finnish officials did not join in the anti-Soviet provocation coming from Norway's right-wing forces.

There is also cause for Finland's foreign policy leadership to appeal to Norway's officials so that the damage to Finnish-Norwegian relations caused by the provocation will be rectified in a correct manner.

#### Modernization Plans for TIEDONANTAJA

Helsinki TIEDONANTAJA in Finnish 2 Feb 85 p 2

[Editorial: "Newspaper Reform Opens Up Prospects"]

[Text] TIEDONANTAJA's forthcoming newspaper reform will provide our newspaper with opportunities to serve more readers in a more comprehensive and interesting manner.

Marxist-Leninist theory and the ideological struggle, peace issues, a presentation of real socialism, a treatment of the life and struggle of workers from a class conscious point of view and with the voice of the workers, the problems of youth, women, and retired people, the SKP [Finnish Communist Party] -- all these issues that are close to our paper will hopefully be treated better than before as the reform is put into effect. In addition, the reform will provide opportunities to further develop our newspaper's so-called service material and in this respect make it more competitive.

That which occurs at the newspaper's end of the reform is one side of the issue. The other side and a necessary condition for success is the effort of organizations and people supporting TIEDONANTAJA. The newspaper reform must be used to the best advantage and its success must be ensured by an effective support and circulation campaign. The activism and wealth of ideas coming from supporters and readers are necessary to the development of the newspaper's content.

The newspaper reform is a common venture.



## Koivisto's Foreign Policy Statements

Helsinki HELSINGIN SANOMAT in Finnish 8 Feb 85 p 2

[Editorial: "Koivisto's Speech"]

[Text] President Mauno Koivisto's speech at the ceremonies opening the 1985 session of parliament did not contain any new or surprising views.

In addition to the international situation and Finland's security, Koivisto discussed our country's economic development in the customary manner, gave his support to a consensus policy, and expressed hope that the exchange of words with respect to it would come to an end "in good time before the negotiations on current labor contracts come to a conclusion in February of next year". In addition, the president commented on the debate that has been conducted on the position and authority of parliament.

Koivisto issued a completely optimistic statement on the international situation in considering the international atmosphere to be the most favorable in years. The resumption of nuclear and space weapons talks between the Soviet Union and the United States after a year's pause on a broader basis is encouraging, said the president. He hoped that these negotiations will also eliminate those points of concern which are related to the effect of weapons development in the Nordic area.

In referring to his recent visit to Sweden Koivisto stated that Finland and Sweden are of the same opinion with regard to the fact that the absence of nuclear weapons in the Nordic area must be guaranteed and that the threat posed by cruise missiles to the people of the Nordic area must also be eliminated in the negotiations of the super powers.

The president thinks that the possibilities for establishing a Nordic nuclear-free zone have improved in recent times since an ever broader base of public opinion in the Nordic countries has come out in favor of supporting such a zone. This also has a positive effect on the development of opinion outside of the Nordic area, believed Koivisto in spite of the most recent negative statements issued by the USA and NATO.

Koivisto considered the cooperation of the super powers "essential" to the accomplishment of the project. It would, however, most certainly be a mistake if this were seen as a recommendation for passive waiting and subordination of the project to that cooperation. Would it not, on the contrary, now be the time, when the project is enjoying a favorable reception, to make concrete proposals for its advancement?

Koivisto stated that Finland's security "is primarily dependent on good relations with all our neighboring countries" while, on the other hand, he defined "the YYA [Friendship, Cooperation, and Mutual Aid] Pact and the positive experiences of 40 years of peace" as a basis on which we have been able to build confidential relations with the Soviet Union. This basis has become stronger

in recent years even when international relations, in general, have been quite tense, emphasized the president.

In his speech Koivisto did not mention the preparations for the 40 anniversary of the end of World War II and the victory over fascism. Undoubtedly, the observance of the anniversary of this positive and decisive event for our country will, however, deserve the attention of even so-called official Finland in the spring.

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CSO: 3617/81

POLITICAL

FRANCE

## EUROPEAN DEFENSE POLICY, FRENCH ROLE REEXAMINED

Paris POLITIQUE ETRANGERE in French 4th Quarter 1984 pp 943-50

[Article by Francois Gorand: "The Europeans and European Defense Policy"]

[Text] Clearly, there is a certain irony in the kind of historic fate which seems to prevent Western Europeans\* from assuming the responsibility for their own defense.

At the end of World War II European tradition sought to build a new alliance on the ruins of the preceding coalition, in the face of a new threat, this time coming from the East. The balance in Europe would thereby have been reestablished between Europeans, as in the past. Moreover, this is what was attempted by the Treaty of Brussels and then by the Paris agreements. However, the Europeans were forced to make a break with this customary way of doing things. On the one hand they were too weak (and they came to terms with each other too late) to do without the support of the United States. On the other hand the appearance of nuclear weapons increased the need for an external protector and brought out the differences in status between the European states. This is what Joseph Joffe correctly brought out in his brilliant article: "Europe's American Pacifier."<sup>1</sup>

Even today, when we consider the defense of Europe, we have to take into consideration the fact that this involves, above all, a subject which divides Europeans. The first obstacle to any "European defense" lies in the absence of mutual confidence resulting from the differences between nuclear and non-nuclear states. There are states which are unable to obtain nuclear weapons for practical reasons and there are states prohibited from obtaining nuclear weapons as a result of the outcome of World War II.

### Postscript to the Euromissile Affair

From this point of view the balance of forces resulting from the Euromissile affair has many aspects.

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\* Here we will use the term "European" to mean "Western European," in the absence of something better.

It is a common practice to observe that this crisis provoked or accelerated an examination of conscience by the Europeans on their community of security interests. The French perceived at the same time both the value and the limits of their security policy. They had occasion to make it clear that the choice they had made as a nation did not prevent them from supporting their allies when necessary. The other Europeans were able to convince themselves that the machinery of integrated organization by itself was not enough. In all of the European capitals a kind of school of thought--almost a "lobby"--was in a position to assert the validity of adding to (and not substituting for) the national and Atlantic frames of reference a specifically European frame of reference in defense matters. We know the subsequent progress made toward a European security policy, both at the diplomatic and military level (This was particularly true in France; support for the Euromissiles and the FAR [Rapid Deployment Force].), as well as at the institutional level (Franco-German cooperation, revival of the Western European Union). We repeat, this was a European policy, not in contradiction to but complementary to national policies and to the policy defined in the NATO framework.

However, we must note that in a parallel way an opposite tendency also developed. We would be mistaken in underestimating the extent to which the idea of distinguishing among the security interests of Europeans also made progress in the eyes of public opinion and in opposition political circles in Northern Europe and in the Federal Republic of Germany. The "specific case of France" and the basic principles underlying the NATO posture subsequently collided with stronger opposition forces, as the debates on "taking third parties into consideration," raising the nuclear threshold, or "nuclear free zones" made clear.

Furthermore, the gains made by supporters of a European security policy appear rather fragile. They did not succeed in making a major "breakthrough" at the time of the Euromissile crisis. No doubt it was difficult for this to turn out any other way, to the extent that the different European governments, and principally the Bonn government, which desired above anything else to permit the installation of Pershing missiles, "could not do everything at the same time." In France, the country which was the most committed and the most important in this area, its actions--or rather the image that these actions projected--were clearly well enough defined to arouse inordinate expectations by public opinion which were nevertheless insufficiently clear to create significant political movement at the government level. In that case also there was nothing astonishing about that. The French have the reputation, overseas, of having such a limited concept of their own security that the slightest movement on their part is given exaggerated and even absurd interpretations. Some examples are: "They are going to rejoin NATO," but this doesn't add all that much to confidence in them ("That won't last."). We forget too frequently in Paris that a widely held perception in Europe is that if there is no "European pillar of security," this is because of the attitude of France.

European security policy risks going through a difficult period in the course of the coming months and years. This is all the more true since it is always too soon or too late to put it in place. The best argument advanced by the supporters of European security policy has been that, in a psychological sense, the Pershing missiles would have been better accepted if public opinion had not had the impression (however mistaken) that decisions concerning the security of the



various European countries in reality were made without considering the Europeans. With the apparent conclusion of the Euromissile crisis, the definition of a European framework for defense is going to lose its urgency, if not its pertinence. The evolution of the relationships between the super powers risks moving in the same direction. If the super powers, as everything leads us to believe, commit themselves to a phase of seeking a "new form of detente," the interest in European political unity will tend to weaken. The different European states will be tempted to play their own games with Eastern Europe. The United States will be more inclined to exercise leadership in an indiscriminating way.

### Outline of an Approach

In view of these difficulties, the supporters of European security policy do not seem to have a convincing approach to propose. Their weakness comes from an oscillation between concepts of "grand strategy"—which, Stanley Hoffman<sup>2</sup> commented, they have no chance of carrying out—and of a pragmatism involving taking small steps incapable of arousing the necessary political drive.

Perhaps they are playing down precisely the diagnosis which serves as a theme for these reflections: that is, the divisions between Europeans on the means required for their defense. Three consequences flow from this diagnosis, which are as much "constraints" as they involve "optimizing" the diagnosis, as the mathematicians would say.

\* First of all, a security policy developed by Europeans involves the acceptance by everyone of the differences between each European country. It is not an accident that the progress achieved in the past few years has taken place after the changes which have taken place in this regard. It is no longer a time when "European defense" juxtaposes the supporters of a French return to the integrated NATO structure and the supporters of the departure of the Federal Republic of Germany. Various taboos have disappeared on both sides. The French understand better the importance of conventional defense for their neighbors, and France's neighbors recognize (through adopting the Ottawa Declaration) the complementary contribution of the French nuclear dissuasion force. We are no longer involved in debates over the preamble of the Treaty of the Elysee (1963). From now on we will talk about serious matters.

However, new misunderstandings may arise. It is not healthy for discussions to involve the same question always: "How far do the French want to go?" On the one hand this approach leads to making maximum demands regarding French nuclear strategy and its conventional posture, which can only lead to negative French responses and, above all, to maintaining in our neighbors' public opinion the myth of the absolutely self-centered outlook of France. We have noted previously the scars opened or reopened by the Euromissile crisis. This view has it that: "Everything would be all right if the French would give up their nuclear capability and make their contribution in conventional forces."

This approach thus undermines the political basis of any European defense effort. It is fair to ask ourselves if the supporters of the maximal approach are not, in reality, motivated to take this position by negative thoughts in the back of their minds. No doubt that is not the case with former German Chancellor Schmidt. However, the terms of the proposals made in his speech in the

Bundestag<sup>3</sup> on 28 June 1984 to a large extent cut across the maximalist approach. On the other hand it goes without saying that the French cannot take action by themselves. One of the strong points in Helmut Schmidt's speech is that it raises the problem of the European equivalent of the rigidities in the French position (even if we are not required to approve the solution advanced by Helmut Schmidt: French "political leadership" in Europe).

\* The second conclusion to be drawn from the point of departure of this analysis is that, for the Europeans, the best way to make progress is to define the objectives which transcend the differences between the choices they have made in the field of defense policy. For a long time the production of arms has provided room for cooperation. As Andre Adrets puts it, the "emerging technologies" of conventional armaments constitute a challenge for European industry which can only be met by an association of Europeans. However, a European security policy also implies—in Paris people don't always seem to realize this—the adoption of common political positions on the current discussions concerning security in Europe. What would a desire for increased cooperation mean which, at one time or another or in one form or another (such as a division of roles to be played or a single statement by 10 European countries or by seven countries, either more or fewer), would not lead to the adoption of a European position on space, for example?

The case of space naturally comes to mind because it will undoubtedly be the best test, over the coming years, of the ability of the Europeans to join in assuming responsibility for their own defense. This is so for three series of reasons. First, the space dimension avoids the divisive effect of nuclear weapons, whether for the Europeans this involves weighing in against the tendency toward the militarization of outer space, whether this involves preparing themselves to deal with this kind of militarization if it became inevitable, or whether this involves taking part in the "paramilitary" use of space (for an observatory, for communications purposes, etc). Secondly, the stakes in the race for the domination of space are not only military but also political. We are witnessing a change in the criteria for the measurement of power. If Europe refuses to accept this change, it will be rejecting the future. Thirdly, it goes without saying that the resources that need to be mobilized cannot be exclusively those of one country.

\* It remains to take a third constraint into consideration. We should not try to hide the fact that the development of a European defense policy, in terms of equipment or in a political sense, will necessarily collide with the political ambitions of the USSR and the trading interests of the United States. That is why it would be an illusion to believe that we could develop a European security policy only on the basis of the armaments industry, while avoiding the political dimension. Any progress toward European cooperation in the security field involves some risk for our European partners, who are more exposed than we are to the pressures exerted by the two super powers. The Europeans will only take these risks if they are absolutely certain of being able to count on unfailing solidarity from the other Europeans.

Thus, we come back to our original problem, the divisions between Europeans on the defense of their part of the continent. The confidence essential for solidarity will only exist in the deepest sense in the political cultures of the

countries concerned if the differences of status are attenuated or are relatively reduced. In this context is included the proposal to assert the right of the Germans to nuclear weapons, even if the Germans do not want to exercise it, or perhaps even if they would not like it! That is also why the right to self-determination of the Germans and of all other peoples in Europe must constitute a demand common to all Europeans. However, it is also necessary to go further: if the differences between Europeans must be accepted, the disputes resulting from these differences must be resolved, so that the differences can be accepted.

Here is where the Franco-German relationship acquires all of its meaning. The "Franco-German twosome," in the renaissance of Europe, has no particularly mystical role to play, comparable to that of the working class in the Marxist holy scriptures. If the "Franco-German twosome" is of such importance, it is because the division of Europe on the means for its defense can be summed up in the Franco-German quarrel of the past. The Germans criticize in the French what they consider is the inadequacy of the French contribution in conventional armaments and what they observe is the area covered by French tactical nuclear weapons.

On the first point the French cannot and should not fundamentally change their posture. However, what is important for the Germans is not a change in French strategy but rather guarantees on the level, rapidity, and extent of French intervention on a future battlefield. Such guarantees should be capable of being negotiated without any dramatic change in the Ailleret-Lemnitzer agreements and probably even in the framework of these agreements which were signed, we recall, during the period in office of General de Gaulle. On the second point (concerning nuclear weapons) the question seems to be affected both by a symbolic, undeniable connotation but which, in practice, is very narrowly circumscribed. Since air-delivered nuclear weapons can cover an area going well beyond German territory, this involves land-based tactical nuclear weapons: that is, the French Pluton missile and its successor, the Hades. Furthermore, as Andre Adrets has indicated, the problem in any case could become outmoded by the appearance of a new generation of multi-purpose, intermediate range weapons (successors to the British missiles). Under these conditions the debate in fact only involves a single system, the Hades, which might only be transitional by comparison with the "long range, counter-force capabilities" mentioned by Andre Adrets. And, if we accept his objections to any form of right of inspection by our neighbors of our tactical nuclear weapons, it would be appropriate to carry the argument a little further. Is it really worthwhile installing a system which represents a major political cost for our policy toward the Federal Republic of Germany, and therefore toward Europe, when the ultimate dissuasive mission of this system could be taken over by airborne nuclear weapons and then by the future, intermediate range system? Since renunciation of the Hades system would dispose of one of the principal burdens on our relations with Germany, why not avoid this transitional phase and go directly toward a configuration of our arsenal which would be more compatible with European solidarity?

It will be objected that this (unilateral) concession, even if it were added to the extension of French guarantees in terms of conventional weapons mentioned above, would not be enough to satisfy the German authorities. Perhaps so, but at least it would be worth trying. It will also be said that we will



have to do more to relieve German "worries." That is certainly true, but at least let us do what we can to avoid irritating them. Other people will also mention the danger of compromising the consensus in France and also in the Federal Republic of Germany (where the maximalists, who in fact are anti-Europeans, would thus be put in a very difficult position). However, an obsession with this consensus is the best recipe for doing nothing and therefore, over the long term, amounts to making any consensus impossible.

On the other hand it is true that such gestures--and others, such as those proposed by Andre Adrets--only have value in terms of their political significance. Their impact will depend on the ability of the governments to work together, as between French and Germans, or even better between Europeans, for example in 1985 on the occasion of the anniversary which we all know of, to develop a certain number of reciprocal commitments, the sum of which would multiply their effect as a demonstration of solidarity. Let us add that this new political deal should not only concern governments. Europe will not really exist until the modern mass media--satellite and cable communications are particularly timely in this connection--have made possible the cultural mixture of the peoples of Europe (of the two Europes). For example, isn't it absurd and dangerous that the new political culture now being developed in the Federal Republic of Germany<sup>4</sup> is taking shape in a vacuum, unknown to or not understood by most of the other European countries, without a true dialogue with their societies?

Finally

Finally, we emphasize that this discussion is really about policy. Over the short term: before much longer the inability of NATO to deploy new atomic weapons, while the USSR adds to the weapons on its side without difficulty. Between now and the end of 1985 won't this lead to giving Moscow once again a new margin of superiority and therefore room to maneuver? Won't we then see the "reopening of the Euromissile front" which, based on the same problems and in identical terms, but in a context which has deteriorated, will make the Europeans regret the time lost for the assertion of their identity in the security area? However, this will also be the case in the deepest sense: nothing could be more paradoxical than to see Europe become alarmed about its security when that security, in reality, has never been so well assured. This is clearly because, through this concern about security, as well as through most of the German requests of France, a deep concern is being expressed about the very existence of Europe, or what is called its identity. Now Ludwig Wittgenstein<sup>5</sup> warned us that "identity is the devil in person and is of unbelievable importance." It is very possible that the system of security which presently guarantees peace in Europe may in fact last for a long time. However, neglecting the problem of identity from which Europe is suffering means taking a considerable risk over the long term.

There is still time to rediscover what "being European" means, including, and perhaps first of all, the area which most affects the sovereignty of European states and therefore their identity as nations, that is, security. Doesn't being European mean defying the fateful course of history, however ironic it may be?

#### FOOTNOTES

1. FOREIGN POLICY, No 54, Spring Issue, 1984.
2. "Cries and Whimpers: Thoughts on West European-American Relations in the 1980's," DAEDALUS, Summer, 1984.
3. Published in French in COMMENTAIRE, No 27, Autumn, 1984.
4. On this point see Pierre Hassner, writing in French, particularly "Plus c'est la meme chose, plus ca change" [The More It's the Same, the More It Changes], ETUDES INTERNATIONALES, Quebec, September 1982 and Barbara Spinelli, "Allemagne, troisieme generation" [Germany, the Third Generation], ESPRIT, February 1984. These analyses are still fully pertinent.
5. Letter to Bertrand Russell, 29 October 1913, quoted in "Vienne 1900" [Vienna, 1900], by Pollak, in the "Archives" collection published by Gallimard/Julliard.

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CSO: 3519/193



POLITICAL

GREECE

# USEFULNESS OF KARAMANLIS ROLE TO PASOK, ND PONDERED

Athens I KATHIMERINI in Greek 14 Mar 85 p 4

[Article by "E": "Why?..."]

[Excerpts] The announcement of Saturday 9 March revealed that Andreas Papandreou was lying to the president of the republic, he was lying to his closest advisors, he was lying to the friendly, humbly faithful press, he was lying to....

Why? For what reason?

Lies, whether justified or not, usually have an explanation, a goal. But what we have here is a unique situation, where lies were totally useless and the entire fraudulent show was superfluous.

The issue of a second term for President Karamanlis had no fanatical supporters on any side and was actually not his real ambition. All doubts were permissible. There were many of us who did not wish, especially in view of the parliamentary elections, to see the continuation of the precious assistance rendered the PASOK by Mr Karamanlis' presence in the presidency.

The matter had been discussed many times and we had almost written about it. We were sure that the feeling of security he provided worked in favor of the PASOK, that it won the party many of the undecided, unsure voters who did not want the left and did not want the ND, and that it was probably this one-third to one-fourth of the vote that would insure its election. In other words, Mr Karamanlis had to leave the presidency, since surely a second 4-year term of the PASOK would spell catastrophe.

That is where the discussion came alive and objections started pouring in: "Yes, but without Karamanlis and some 'Green' president in, what would happen to the country?"

The same arguments, but in reverse form, were used by the PASOK: "What do we need him for?"--"We need him because he will bring us the centrists."

We could have reached the point where we are today without the need for anyone to accuse others of anything.

And without the need for still another troubling question to be added to the Andreas Papandreou file: Why did he play the game in such tricky fashion?

We don't know for sure when he changed his mind and decided to divorce himself from Karamanlis--something that, we repeat, he had every right to do--and why he showed such lack of confidence even in his closest collaborators, proceeding to a sadistic political scenario which--let's face it--make a laughing-stock of them!

Let them not deceive themselves. No one among the prime minister's men can claim to remain unsullied.

What was Andreas Papandreou's goal last Saturday morning? In which role did he want to cast himself, did he want to be a magician, a prestidigitator who can make people disappear right before the eyes of his awe-struck audience?

He certainly did not want to play the part of a prime minister, of a responsible leader. Let the experts and those who study politicians' behavior coldly and impartially look at Saturday's exhibition and let them find a precedent for it.

Just so they can reassure us.

Because the most troubling element, that which has literally put the fear of God in people is the feeling that insanity rules.

The kind of insanity which is expressed through these consecutive statements: "Mr Karamanlis has been an 'impeccable' president," Andreas Papandreou stated at one time, to add, on another occasion, "the president has been blameless"; and finally, "democracy has rid itself of Mr Karamanlis."

One thing is certain: Now, the interest of an entire world has been riveted on Mr Karamanlis. It is also just as certain that Mr Karamanlis himself has rid himself of the "shackles" of the presidency, and that very soon, he will be happier, more free and more useful....

CSO: 3521/211

POLITICAL

ITALY

# PARLIAMENTARIANS POLLED ON PRESIDENTIAL CHOICE

Rome L'ESPRESSO in Italian 10 Feb 85 pp 12-14

[Article by Guido Quaranta: "The Race for the Quirinale. Pertini Is Declining; Forlani Is Gaining."]

[Text] A few difficulties are arising for the confirmation of the current chief of state, according to the results from the new ESPRESSO poll among deputies and senators. The socialists do not forgive him; and meanwhile the Christian Democrats...

Rome--Sandro Pertini is still the favorite. But for the first time his standing in the halls of Montecitorio and Palazzo Madama is somewhat in decline. That is the principal new element in the poll ESPRESSO took during the last few days in Parliament in order to ascertain the true feelings of its components 2 months after the previous poll and to find out who has the best chance of being elected on 8 July to the presidency of the republic. Several deputies and a few senators, who until a little while ago were disposed to vote for Pertini's re-election, actually affirm in no uncertain terms that they no longer approve of his flare-ups. Carlo Vizzini, the social democrat minister for regional affairs, suggests with a trace of sarcasm, "Instead of travelling all around the world why doesn't he start to slow down now, and go out to his beautiful presidential farm at San Rossore?"

It was the terrific dressing down Pertini gave Craxi, who had been inclined to soft pedal the news that a socialist minister of the republic, Gianni De Michelis, while passing through Paris, had met with Oreste Scalzone, a fugitive wanted for years for terrorism, which induced many members of parliament to change their minds: a dressing down which, although approved by a good part of public opinion, provoked serious tension between the Quirinale and Palazzo Chigi.

But the decline in Pertini's standing is not the only new element in the ESPRESSO poll. The polling revealed some others. In fact, Arnaldo Forlani's stock is rising. Benigno Zaccagnini's popularity is declining. The possible candidacy of Oscar Luigi Scalfaro is strengthening. Emilio Colombo is leaving the scene. And a few personages until now considered out of the running have come back into the limelight, Amintore Fanfani, for example.

Like last time, (ESPRESSO No 48) the information was provided by 201 members of parliament from all parties: 175 deputies and 26 senators, almost one-fifth of the "great electors" who within a few months will have to choose the new chief of state. Most simply gave one name; others mentioned two, or at the most, three: this explains why the number of votes cast exceeds the number of persons interviewed.

But here is the list in order of rank of the eligible candidates, the evaluations which determined their standing, and, within parentheses, the support each obtained in the previous poll.

1. Sandro Pertini: 85 votes (104). The president in office is still considered his own probable successor. Above all, because he can count on the explicit and influential support of the communists (who also supported him during the recent controversy between the Quirinale and the Palazzo Chigi) and on the backing of some socialists, republicans, and social democrats: a rather extensive initial array. And then, too, his competitors still have not yet officially declared themselves. But the majority of Christian Democrats, although divided over the choice of Pertini's successor, are less and less inclined to maintain a layman in the Quirinale. And the PSI considers him a thorn in Craxi's side.

2. Arnaldo Forlani: 58 votes (47). The DC vice president of the Council is rising to second place, previously held by Zaccagnini, because in addition to keeping the strong support of many party friends, he continues to gain the support of quite a number of socialists, social democrats and liberals who see him as the firm defender of the government coalition. However, Forlani has a big handicap: the clear hostility of the communists, who say he cannot be trusted.

3. Benigno Zaccagnini: 39 votes (49). The former-DC secretary of the crossed shield,[Christian Democrat Party] confirming his declared reluctance to enter the running, has discouraged his various fans. Zaccagnini enjoys approval of the PCI--inclined to shift their votes to him if Pertini withdraws--but at least for the moment, he has no support in any of the four lay parties of the majority: in their judgment he is too indulgent toward the communists.

4. Oscar Luigi Scalfaro: 21 votes (18). The candidacy of the DC interior minister seems destined to become stronger, because many consider that he has more chances than the markedly anti-communist Forlani. Actually, Scalfaro is considered one of the most colorless and flexible DC members.

5. Francesco Cossiga: 20 votes (20). He has to his advantage the fact of having been, as DC president of the Senate, the number 2 man of the Republic. Various members of parliament think Cossiga's election would be a balanced institutional rotation, painless for all.

6. Norberto Bobbio: 14 votes (19). Unlike the other competitors, he is liked by the Left and feared by the Right, or vice versa. This senator-for-life is recognized by all political groups for his authority as a man of culture. But he seems to be an outsider.

7. Leopoldo Elia: 14 votes (15). Some left-wing DC's and a few communists decisively agree on the designation of the DC president of the Constitutional Court. They recognize that he keeps aloof from political power struggles. But Elia is little liked at the top levels of the PSI after the recent Court pronouncement legitimizing the referendum on the cost of living index dear to the communists.

8. Bettino Craxi: 8 votes (3). The socialist leader, president of the Council of Ministers, denies he is thinking of becoming a candidate, but a few of his party comrades and some DC's consider that he might emerge after a long series of inconclusive futile votes: In point of fact, the leftists and the lay forces ought not to prefer a Catholic candidate to him, (but at the PCI they are not of that opinion).

9. Amintore Fanfani: 4 votes (0). Until now no one had thought of the DC former president of the Senate, previously a candidate in other presidential elections, but without any success whatsoever: he was named now by only a few party friends and by a member of the social movement.

10. Giovanni Spadolini: 4 votes (3). The republican minister of defense, even if he does handle himself cleverly, (and he recently got himself an interview with the American president Ronald Reagan) does not for the time being seem to be able to stand out: even the majority of his own party does not propose his candidacy.

11. Nilde Iotti and Bruno Visentini: 3 votes (1). The stock of both the president of the chamber and of the finance minister is rising slightly; but for the time being, without many prospects.

The remaining votes went two for Giovanni Malagodi, and two to Giulio Andreotti; one each for Paolo Emilio Taviani, Virginio Rognoni, Aldo Bozzi, and Pietro Ingrao. The most noteworthy person left out is the DC former foreign minister, Emilio Colombo, who received three votes. He ranked eighth in the previous classification. But 8 July is still far away.

#### [Photo Captions]

These are the results, in percentages, of the third poll carried out on 201 members of parliament, about one-fifth of the "great electors" who will choose the new chief of state next July. The total number of votes exceeds 100 percent because some of the persons questioned indicated more than one name. A plus sign next to the percentages indicates increased support in relation to the preceeding poll (ESPRESSO No 48) while a minus sign next to the percentages indicates a decrease.

Spadolini: 2 percent (1.5)+. Fanfani: 2 percent (--)+. Craxi: 4 percent (1.5)+.

Elia: 7 percent (8)-. Bobbio: 7 percent (4.5)+ Cossiga: 10 percent (10) unchanged.

Scalfaro: 10 percent (9)+. Zaccagnini: 20 percent (24)-. Forlani: 29 percent (22)+.

Pertini: 43 percent (51)-.



[Boxed Section] The 201 Who Replied

The names considered most likely, for the time being, to be the new president of the republic were indicated by 201 members of parliament: 175 deputies and 26 senators. The members of parliament questioned belong to different political groups. Almost all gave just one name. Only a few suggested two, or at the most three alternatives. Here are the members of our jury, party by party.

DC: Armato, Augello, Azzaro, Balestracci, Becchetti, Borri, Bertolani, Bosco, Briccola, Brocca, Caccia, Carelli, Carlotto, Campagnoli, Carrus, Casati, Casini C., Casini F., Cattanei, Ciaffi, Ciccardini, Coloni, Corder, Cristofori, Dell'Andro, Donat Cattin, Faraguti, Fontana E., Fontana G., Foschi, A., Garavaglio, Garocchio, Grassi Bertazzi, Grippo, Gullotti, Jervolino, Lamorte, Leccisi, Lega, Ligate, Lobianco, Lussignoli, Malfatti, Mancino, Manfredi, Mannino, Merloni, Moro P., Nicotra, Nucci, Patriarca, Pellizzari, Pisanu, Pomicino Pontello, Portatadino, Postal, Puja, Pumilia, Quarta, Ricciuti, Rognoni, Rosini, Rubino, Russo R., Russo, V., Sanese, Sangalli, Sanza, Santuz, Sarti, Segni, Silvestri, Stegagnini, Sullo, Tesini, Vernoia, Viscardi, Zamberletti, Zaniboni, Zarro, Zolla, Zoppi (83).

PCI: Alici, Antoni, Baracetti, Bellocchio, Bocchi, Bochicchio, Cafiero, Conti, Cuffaro, Ferrara, Ferri, Fracchia, Gabbuggiani, Gianni, Giustinelli, Graduata, Greco, Loda, Margheri, Martorelli, Mascagni, Motetta, Nespolo, Petrocelli, Perna, Pieralli, Proietti, Quercioli, Soave, Spagnoli, Spataro, Triva, Vignola, Virgili, Zanini (35).

PSI: Alagna, Alberini, Ando, Aniasi, Barsacchi, Bozzelli, Casalnuovo, Colzi, Della Briotta, Didonato, Fabbri, Felisetti, Fiandrotti, Fincato, Forte, Fortuna, Frasca, La Ganga, Lenoci, Maravalle, Mundo, Nonne, Novellini, Pillitteri, Piro, Raffaelli, Reina, Romano, Sacconi, Santini, Scaglione, Zito, (32).

PSDI: Amadei, Corti, Cuojati, Longo, Nicolazzi, Perti, Vizzini (7).

PRI: Arisio, Biasini, Bogi, Casagneti, Del Pennino, Dutto, Ermellini, Galasso, Gunnella, La Malfa, Martino, Ravaglia (12).

PLI: Baslini, Battistuzzi, Biondi, Costa, De Lorenzo, Facchetti, Sterpa (7).

MSI: Aloï, Baghino, Franchi, Guarra, Lo Porto, Miceli, Pazzaglia, Rauti, Romualdi, Servello, Staiti, Tasssi (12).

PRI: Crivellini, Melega, Pannella, Stanzani (4).

DP: Gorla (1).

Ind. Sin. [Independents of the Left] Anderlini, Barbato, Bassanini, Codrignani, Corvisieri, Milani (6).

Splinter Group: Dujany, Riz (2).

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CSO: 3528/36

POLITICAL

NORWAY

COMMUNIST PARTY RIFT EXAMINED BY ANTI-MOSCOW MARXIST ORGAN

Oslo KLASSEKAMPEN in Norwegian 30 Jan 85 p 9

[Article by Bjorn Westlie]

[Text] A new storm is brewing in the Norwegian Communist Party (NKP). Outwardly, there is an impression of calm, but internally the situation is extremely tense. The conflicts that led to an uncontrolled eruption last fall continue to tear the party apart. One group within the party wants it to reject the Soviet system. Another group is calling for closer relations with Eastern Europe and the Soviet Union. The party leadership is attempting to smooth over the differences. But NKP cannot live with these differences. According to all indications, NKP may split as similar parties in Western Europe have done. KLASSEKAMPEN has looked behind the scenes within NKP, where the power struggle continues.

The Norwegian Communist Party (NKP) has never been weaker in Norway than it is today. The party has some influence in the peace movement and in the labor movement, but that is all. Many members have left the party during the past year. Many others are making up their minds. Some members have gone over to the Labor Party. Others have gone into passivity. The party is divided into several factions. Some have told us that the situation reminds them of the Furubotn affair in 1949 and 1950.

Calling The Shots

Thus, the power struggle within NKP continues. The disputes are numerous, but perhaps most important of all are the international questions. Much of it boils down to the following: who will call the shots within the party--the "comrades in the Kremlin" or the Greenland camp? Many NKP members see support for "proletarian internationalism," i.e. Soviet foreign policy, as vital to the party's existence. On the other hand, strong forces within the party say that it will be destroyed unless it severs its ties with the Soviet Union. The invasion of Afghanistan and martial law in Poland, especially, have intensified these conflicts. The fact that NKP also has sent a study delegation

to China has intensified the struggle over international issues. Internally, this struggle is expressed in the following manner: "Things are not so simple that we can merely accept the assumption that everything the Soviet Union does in the area of international class struggle is correct and necessary." This statement was made by the new NKP labor leader, Asmund Langsether.

### "People Laugh At Us"

In AVANTGARDEN, the polemic publication of NKP's youth organization, NKU (Norwegian Communist Youth), Kare Andersen wrote in the same vein: "The label of being dependent is an important reason for our isolation. As long as we are unable to point to a single defect in the socialist countries, we will not even be taken seriously. People simply shake their heads and laugh at us. . . . It is not our main task to be a friendship society with the Soviet Union." Apparently, one faction in NKP believes that it should be such a society. "Many comrades will not admit that the socialist countries are the primary force in the struggle against imperialism," John Wiktor Minde wrote in AVANTGARDEN. Still others claim that NKP members who criticize the Soviet Union have become victims of what they call imperialist propaganda. Criticism or indications of doubt concerning relations in the Soviet Union and Eastern Europe are labeled anticommunism.

The invasion of Afghanistan was called a step toward detente and only after several party bosses were eliminated in Poland did this faction of NKP members begin to criticize the situation in Poland.

### Three Main Wings

Outwardly, a picture has been presented of two wings within the NKP that oppose each other: Hans I. Kleven against Martin Gunnar Knutsen. The true picture is far more complex. Last April NKP held a party congress and elected a new Executive Committee. This new Executive Committee included 18 members who supported new party chairman Kleven and 17 members who opposed him. The party managed to elect a Central Committee only in September. Here, the balance had changed to 11 to four in Kleven's favor. But Kleven hardly has solid support behind him. In reality, he has few political friends. Actually, it is the NKU wing and the Soviet faction around FRIHETEN editor Arne Jorgensen and M. G. Knutsen that will decide the future fate of NKP. The wing of present and former members of NKU is called by many a Eurocommunist faction. They say that they will be ruled neither by the Kremlin nor by Rome. It is a fact that NKU has close contacts with the youth organization of the Italian Communist Party. What is needed most is a thorough discussion within NKP. There are few things, apart from AKP(m-l), the Workers' Communist Party (Marxist-Leninist), that the Soviet faction hates more than NKU. Although the NKU faction has only one open supporter on the Central Committee, namely Kirsti Kristiansen, it is clear that this faction has much more support than that.

Since the party congress last spring, the Soviet faction has fought hard for an extraordinary party congress. This has not occurred. Now they are concentrating on a "coup" at the party congress in 1986.

## Kleven's Opportunism

If you ask an NKP member what chairman Kleven actually believes, you will probably be told: "I do not believe even Kleven knows that!" Many NKP members who are glad to be rid of M. G. Knutsen are hardly enthusiastic about Kleven. The fact that Kleven has gained a majority within NKP's central organization says more about the situation within NKP than about Kleven's qualities. NKU and many others do not support Kleven and the new party leadership, but in the present situation they believe it is better to vote with Kleven than to support the Soviet faction. Thus, NKP members who support Kleven today are an eclectic political grouping. There are those who believe that M. G. Knutsen and his wing have derailed the party, but support their his view of the Soviet Union, and there are those who demand that Kleven not sweep the problems under the rug, but take up the theoretical and political struggle concerning NKP's relationship to the Soviet Union and Eastern Europe. This group believes that Kleven is an opportunist and that he is reluctant to deal with these problems in depth.

Another problem in the overall picture is the position of the Soviet faction and that of the NKU faction on what is called their "alliance policy." There is a tendency within NKU to support a more "conservative" view of the Norwegian Labor Party. NKU believes, for example, that NKP should campaign with its own lists of parliamentary candidates if the NKP proposal for cooperation in the campaign is rejected.

## Vital Issues

One person we talked with about the problems in the party described the present situation within NKP as highly uncertain.

"The party's problems must come to the surface and be discussed. Neither Kleven nor the Knutsen wing actually wanted the eruption that took place last year, even though it was bound to occur. If the party leadership tries to avoid a battle with the Soviet faction it will be a tragic mistake. The party leadership must realize how serious the situation is. We must discuss our relationship to the Soviet Communist Party and the Soviet Union. It is the party's national credibility that is at stake. We can talk as much as we want about municipal politics, but it will not help. Without a theoretical re-orientation, everything else will be suicidal policies. If no solution is worked out, then NKP is a sinking ship."

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CSO: 3639/88

POLITICAL

SWEDEN

## TWO POLLS REGISTER GAINS FOR SDP, SETBACK FOR CENTER PARTY

### Socialist, Nonsocialist Blocs Even

Stockholm DAGENS NYHETER in Swedish 10 Mar 85 p 8

[Article by Dick Ljungberg]

[Text] The Center Party is in trouble. That was confirmed by the DN/IMU [DAGENS NYHETER/Institute for Market Surveys] voter poll for February. Since the previous poll in December the Center Party has declined by 3 percentage points to 10.5 percent. The position of the political blocs is quite even.

Today's poll is based on 873 interviews and was conducted in the period from 28 January to 27 February. The government's budget, the promises of tax simplification and tax rebates, the opposition's savings cuts and promises of tax reductions and the Bodstrom affair were the big topics of debate. Of the changes that have taken place since December only the Center decline is statistically reliable.

In December the nonsocialist parties had a clear lead in voter support. Including KDS [Christian Democratic Union] they had 50.5 percent compared to 45.0 percent for the Social Democrats. In February the standings were 48.0 and 47.5, which is quite close.

#### SDP Gain

This happened because the Social Democrats gained strength while at the same time the Center Party lost ground. In December the government party had only a 40 percent rating following a 4 percent decline. Now it has gained 3 percentage points for a rating of 43.0 percent.

This is probably due in part to the fact that the percentage of voters who are uncertain dropped from a record high of 6.5 percent in December to 5.0 percent now. The Social Democrats had a difficult fall season last year with several unpopular government proposals, including the increase in gasoline taxes. This caused uncertainty among many party supporters.

But the big party is in a difficult position prior to the election. In the long-range trend IMU has documented--a sliding average for the 7 latest poll



periods that reduces the effects of temporary shifts--the Social Democrats are at 41.9 percent. In February 1982 the corresponding figure was 48.1 percent. During the election spurt, however, the Social Democrats lost votes, mainly to the Left-Communist Party. The election result was 45.6 percent.

The Conservatives declined 1 percent to 26.0. The party has constantly swung around 26-27 points in the IMU polls. In February 1982 the Conservatives had 23.4 percent in the long-range trend, but in the years that have passed since then they have climbed to 26.2 percent. In the 1982 election the Conservatives received 23.6 percent of the votes. Everything points to the likelihood that the Conservatives will get more votes this fall than all the middle parties--which now include KDS--put together.

#### Consolation for Center Party

The Center Party has dropped 3 percentage points to 10.5 percent. The party has not had such low marks since October 1981. The party has 13.1 percent in the long-range trend. It may be a small consolation that the corresponding figure in February 1982 was even lower, 12.4 percent. But then came Thorbjorn Falldin's election spurt when he got a boost from Olof Palme as a result of the debate between the two men in Kalmar. The Center Party's election result was 15.5 percent. This year Palme has decided to debate Ulf Adelsohn.

According to the current poll the Center Party cannot achieve its results in the last election even with the help of votes for the Christian Democratic Union (KDS) which the Center Party will work with in the campaign under the common designation of the Center. KDS remains at 3 percent, but has gained somewhat from the cooperation. This is shown by the long-range trend which now gives KDS 2.4 percent. The corresponding figure in 1982 was 1.9 percent.

#### Liberals Up?

The Liberal Party has embarked on what could be an upward trend. The party gained for the third poll in a row, this time climbing 1.5 percent to 8.5. The party's situation is now considerably better than it was before the 1982 election. At that time it was at 6.6 percent in the long-range trend compared to 7.4 percent now. The problem for the party is that it cannot get this kind of result in an election. In 1982 the Liberals lost voters even in the election spurt and received a catastrophic 5.9 percent of the votes.

The Left-Communist Party lived dangerously in the 1982 election, according to election analyst Soren Holmberg. The question is whether the same thing is true of VPK [Left-Communist Party] now. VPK has declined 0.5 percent to 4.5 and it is around that figure that the party seems to have settled. In the long-range trend too VPK lies at 4.5 percent, around the same level as in February 1982.

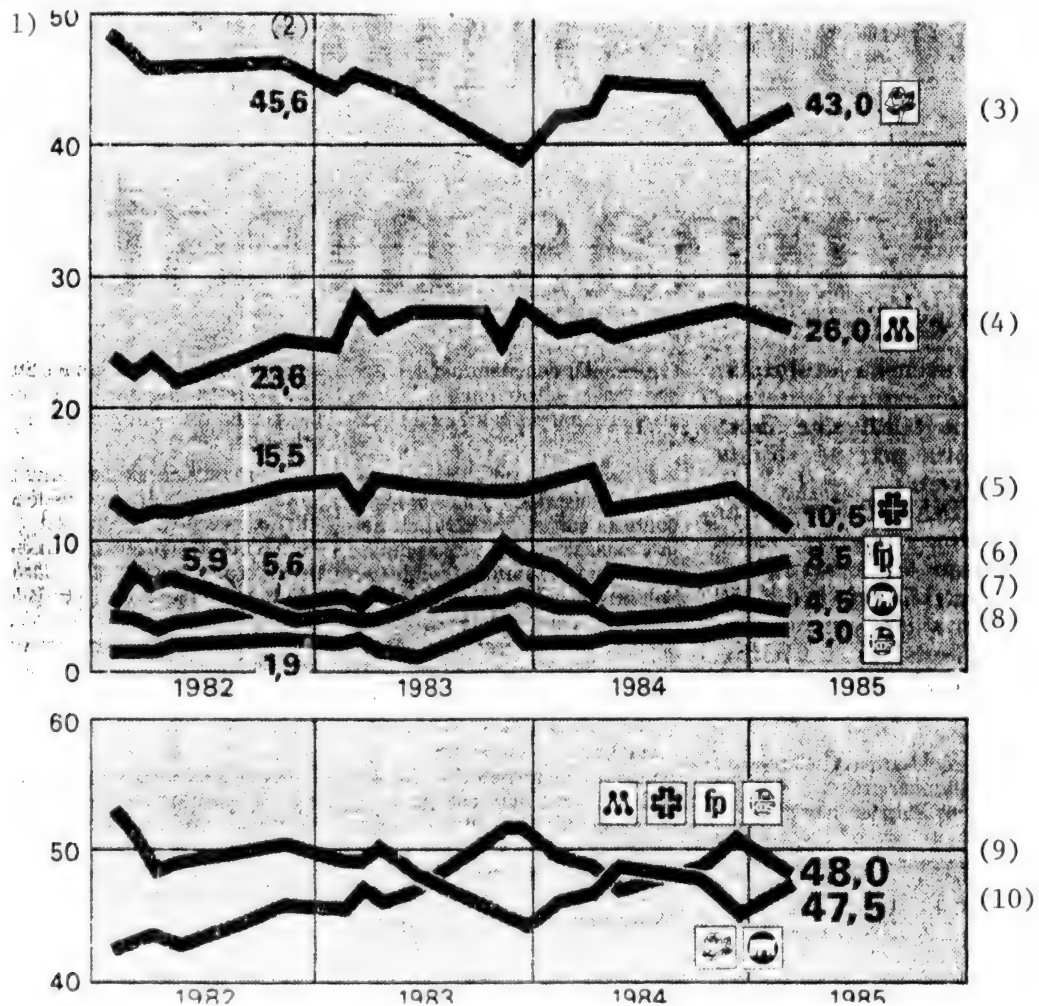
#### Comradely 4 Percent

But in the election VPK got help from the "comradely 4 percent," in other words Social Democrats who for tactical reasons voted for VPK in order to help

keep the party in Riksdag and thus guarantee a power shift. The election result was 5.6 percent and the "comrades" may turn up again on 15 September.

The Environmental Party, the Green Party, is still around 4.0 percent. But bear in mind that the current poll only indicates public opinion in February; it is not an election forecast. In the last election the Environmental Party, like KDS, lost votes in the election spurt due to tactical voting because of the 4 percent barrier for Riksdag representation.

In the long-range trend for May 1982 the Environmental Party had 4.4 percent--compared to 3.4 percent now--but received only 1.8 percent of the votes in the election.



DAGENS NYHETER/IMU Poll

- |      |                                    |                               |
|------|------------------------------------|-------------------------------|
| Key: | 1. Percentage                      | 6. Liberal Party              |
|      | 2. September 1982 election results | 7. Left-Communist Party       |
|      | 3. Social Democrats                | 8. Christian Democratic Union |
|      | 4. Conservatives                   | 9. Nonsocialist bloc          |
|      | 5. Center Party                    | 10. Socialist bloc            |

# Voter Opinion

<u>Party Preference</u>	<u>Feb 85</u>	<u>Dec 84</u>	<u>Oct 84</u>	<u>Feb 82</u>	<u>Long-Range</u>
					<u>Trend</u> <u>Feb 85</u>
Social Democrats	43.0%	40.0%	44.0%	48.0%	41.9%
Conservatives	26.0	27.0	26.5	23.5	26.2
Center Party	10.5	13.5	13.0	12.5	13.1
Liberal Party	8.5	7.0	6.5	5.0	7.4
Left-Communists	4.5	5.0	4.0	4.5	4.5
Christian Democratic Union	3.0	3.0	2.5	1.5	2.4
Environmental Party	4.0	4.0	3.0	4.0	3.4
Other parties	0.5	0.5	0.5	1.0	
Total	100.0	100.0	100.0	100.0	
Could not/would not give party preference	5.0	6.5	4.0	4.0	
Number interviewed	873	900	871	895	

Interviews were conducted in the period from 28 January to 27 February 1985.

The most important change in this voter opinion poll compared to previous ones issued by IMU involved the Center Party, which had a 3 percent decline. The decline is statistically reliable. The Social Democrats had an increase that is not statistically reliable but indicates that the party seems to be on the way up from the decline in support that was registered in September 1984.

Changes between two polls in a row should be interpreted with great caution if they are not given as statistically significant. Instead one should note trends over the last 3 polls or the differences compared to the long-range trend.

The statistical margin of error for a single poll is around 3.5 percent for the Social Democrats, around 3.0 percent for the Conservatives, around 2.5 percent for the Center Party and around 1.0-2.0 percent for the other parties.

The long-range trend is calculated as a sliding average of the last 7 poll results.

The interviews were conducted with nationally representative Swedish citizens between the ages of 18 and 74. The interviews were conducted in home visits. The question asked was: "Which party do you think is the best one?" Preferences were expressed with the help of "ballots" and "ballot envelopes."

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## Getting Easier as Election Approaches

"The hard confrontation between the Social Democrats and the Conservatives has made it difficult for us to get our message across." In the opinion of Center Party secretary Goran Johansson this is the main reason why his party is doing so poorly in the opinion polls.

He did not believe that the technical election cooperation with the Christian Democratic Union has had any effect on the Center Party's poll results one way or another.

The Center Party made a poor showing at this time prior to the 1982 election too but came in strong at the end.

"It will be easier for us to make an impact the closer we get to the election," said Goran Johansson. "The organization of a popular movement cannot be at its peak during an entire period between elections. But in the final campaign spurt it will be working in high gear."

Party leader Thorbjorn Falldin's debate effort against Olof Palme in Kalmar a few weeks before the 1982 election was just part of the reason for the recovery, in Goran Johansson's view. The Center figures were already on the way up before the debate.

The Center Party is doing poorly among young people compared to the happy green wave days in the mid-1970's.

"That just reflects the tendency among somewhat older voters. When the pendulum goes one way it has an especially hard impact on young people," Goran Johansson said.

## Center Yields to Moderates

Stockholm DAGENS NYHETER in Swedish 10 Mar 85 p 2

[Editorial: "Thinner in the Middle"]

[Text] In today's IMU poll in DAGENS NYHETER the Social Democrats have regained 3 percentage points since the December debacle and the Center Party declined by the same amount, otherwise there is nothing new on the election front.

The Social Democratic dive of 4 percentage points in the late fall IMU poll could be explained in terms of a generally trying fall, flavored with the gasoline tax increase. A good many dissatisfied Social Democrats undoubtedly abstained secretly in responding to the poll questions. Now the government party has the wind at its back again. But at 43 percent it is a whole 5 percentage points lower in the IMU survey than it was at the same time before

the last Riksdag election in 1982. And VPK is no consolation, it still lies dangerously close to the 4 percent cutoff point.

Thus in spite of the economic recovery it looks as if it will take a lot of work to keep Olof Palme and his government at Rosenbad after 15 September. Can Palme's running start in the election campaign defeat Adelson's chances of forming a nonsocialist government in the fall?

The 3 percentage points the Center Party lost almost certainly did not go directly to the Social Democrats. The net results of an opinion poll, like those of an election, are the result of a series of marginal cross currents. The Liberal Party, which showed some gains unless this was an error within the statistical margin of error, may have received support from some Center Party members who want a more wholehearted support for the idea of a nonsocialist three-party government but shrink from the idea of directly supporting Ulf Adelson.

The Center Party may have lost some people directly to the Social Democrats as a result of the so-called Bodstrom affair after Thorbjorn Falldin's hasty demand for Bodstrom's resignation. As a result of a sharp confrontation in Riksdag Palme made the quarrel look like a dispute over support for the policy of neutrality instead of the interpretation of a dinner conversation. And it did not help the Center Party that Falldin then allowed Adelson to lodge the nonsocialist demand for the foreign minister's departure. When Palme played the safe neutrality card the game was over. The Conservatives marked time in the IMU poll with 26 percent, compared to 27 percent in December. Here too the somewhat abrupt ending of the Bodstrom affair may have helped to check the Conservative advance which other forecasters at the time alleged to be in full swing.

As usual the Environmental Party got more support in the IMU poll than KDS, this time by 4 percent to 3. But that will undoubtedly be different in the current SIFO [Swedish Institute for Public Opinion Polls] survey, where the voters are not given separate Environmental Party ballots but are given KDS ballots since the party is now in the good graces of the Center Party. On election day, 15 September, things will be more even.

#### SIFO Confirms Nonsocialist Decline

Stockholm DAGENS NYHETER in Swedish 11 Mar 85 p 8

[Text] The lead held by the nonsocialist parties is declining. SIFO's latest voter survey shows that too. The same tendency was reported in the DN/IMU poll on Sunday.

According to SIFO the Social Democrats registered 41.5 percent (+ 1.0), the Conservatives got 30 (- 1.0), the Center and KDS got 12.5 (- 0.5), the Liberal Party got 9 (- 0.5), VPK got 4.5 (- 0.5) and other parties noted 2.5 percent. The previous poll was taken in January.



Corresponding figures in the IMU poll gave 43 percent to the Social Democrats (+ 3.0), 26 to the Conservatives (- 1.0), 13.5 to the Center and KDS (- 3.0), 8.5 to the Liberal Party (+ 1.5), 4.5 to VPK (- 0.5), 4 to the Environmental Party (--) and 0.5 to other parties. The previous IMU survey was carried out in December.

According to IMU the standing between the blocs is now almost even. According to SIFO the nonsocialist advantage has shrunk from 8 to 5.5 percent. According to SIFO the nonsocialists still lead by 51.5 percent to 46 for the socialist parties. A good 9 percent of the voters are unsure.

The polls are based on somewhat different survey periods and different methods.

SIFO questioned 1004 people in the period from 6 to 26 February. IMU interviewed 873 people in the period from 28 January to 27 February. IMU hands out ballots even for small parties, which gives these parties more "voters" than the SIFO poll, which lists all the small parties under "other parties."

#### Security Policy a Nonsocialist Error

"The enormous effort the nonsocialist parties made to bring security policy into the campaign was a mistake."

That assertion was made by SDP party secretary Bo Toresson in a comment on the fact that both opinion polls agreed that his party had made progress.

"The upturn was expected. We know that our active campaign workers and sympathizers have done a very good job since the first of the year. That is now having an impact on voter opinion polls," said Bo Toresson.

#### Reviewing Center Party's Problems

Stockholm DAGENS NYHETER in Swedish 11 Mar 85 p 2

[Editorial: "Center Party's Lost Profile"]

[Text] Sunday's two voter barometers confirmed each other on two points. Since December the balance between the blocs has shifted in favor of the socialists by 5 percent according to IMU and by 3.5 percent according to SIFO, which represents an undeniable tendency. The other obvious thing is the decline of the Center Party by 3 percent in the IMU poll and 2 percent in the SIFO poll, in both cases compared to the December figures.

Are these new trends or chance dips in the curve? The Social Democrats took a nosedive at the end of 1984 after the gasoline tax increase, etc. and have now returned to the level where they were in the last part of 1983 and during most of 1984. This went unusually quickly but the election wind will have to

keep blowing in the same direction if the party is to retain government power in the fall.

We do not yet know what the more long-range wind direction will be.

The price freeze decision, which was a defeat in itself, bears witness to the recognition of the decisive importance of inflation. If the government is unable to break the price and wage cost trend at last, the so-called third way policy will appear to be a failure, even if the full effects on competitiveness and employment do not show up until 1986-87. The government's inflation goal for 1984 was 4 percent and the actual rate was 8 percent. One does not slap on a price freeze just when inflation is moderating. What happened is that in the end even the government lost confidence in the 1985 inflation goal of 3 percent.

Despite a market boom we have not seen increases in real wages or any significant decline in unemployment in recent years. The voters have not seen tangible results. Instead the Social Democratic Party is trying to create an image of itself as a party with the ability to produce a healthy and balanced economy in general and in the long term. It is basing its claims of superiority on that. That is why the failure to check Sweden's continued slide toward a new cost crisis is so detrimental to the party's credibility.

When it comes to the Center Party's decline in the voter opinion polls we are much more certain that this reflects a stable trend. The decisive factor is probably the party's election cooperation with KDS, which has blurred the Center profile. The voters attach more importance to the differences between the two parties and their respective programs than the Center leadership realized.

Technical election cooperation always involves risks of this sort and it was because of this realization that it was not considered necessary to create special provisions in the election laws to block the attempt by small parties to get around the 4 percent cutoff barrier by cooperating with larger parties. The risk of losing voters is a sufficient deterrent in itself. The charge that the Center Party violated the spirit of the constitution as a result of the agreement with KDS is therefore unjustified. The two will appear as one party on election day, which is both morally and constitutionally permissible, but there is no guarantee that they will receive the support of an unchanged number of voters.

According to a study in the publication NU, KDS generally behaves like a non-socialist party in municipal politics. The party has a total of 326 seats in 183 municipal districts. In 17 municipal districts KDS is an important factor and in 13 of them the party is clearly a nonsocialist party. In 3 municipal districts the picture of KDS is unclear and in a single district--Linköping--the party supports the Social Democrats.

KDS votes will now go to the nonsocialist bloc and the movement in the electorate that is caused by the Center-KDS cooperation should take place largely

among the nonsocialist parties. Thorbjorn Falldin probably made a bad deal for his party but for the nonsocialist bloc the effect of the election co-operation will be positive--if they limit their perspective to election day 1985.

Two elections out of five since the institution of a single-chamber Riksdag have resulted in the evenest possible distribution of seats between the two blocs. If the KDS votes tip the scales in the 1985 election it is quite probable that the two KDS members of Riksdag who seem a likely possibility will provide the swing vote in Riksdag. Even if they prove to be reliable non-socialists on most issues it would be surprising if they do not use their key position to exert influence and outline a KDS profile before future elections. In the long run the nonsocialist influence will be weakened as a result of this new divisive factor in Riksdag.

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CS0: 3650/199

MILITARY

DENMARK

MINISTER WARNS SDP AGAINST JOINING WITH SF ON DEFENSE POLICY

Copenhagen BERLINGSKE TIDENDE in Danish 21 Feb 85 p 8

[Article by Thorkild Dahl: "Minister: 'SF [Socialist People's Party] Card Sharping Regarding Security'"]

[Text] The defense minister warns the Social Democratic Party against SF Chairman Gert Petersen's initiative regarding defensive armed forces. This will destroy Denmark's security policy and NATO membership.

"The Socialist People's Party can never be a reliable partner where responsibility for Denmark's security policy is concerned."

Defense Minister Hans Engell (Conservative Party) says this in connection with the discussion in the SF regarding abandoning the demand for disarmament here and now and SF Chairman Gert Petersen's proposal regarding rearming for defensive armed forces.

"When the SF chairman suddenly changes signals in the defense and security policy it is political card sharpening," the defense minister believes.

Hans Engell believes that Gert Petersen "has something up his sleeve, and the Social Democratic Party especially ought to be heedful of this."

"If the Socialist People's Party is given coresponsibility for and joint influence on the Danish defense and security policy it will mean a decisive breach of 40 years of valuable cooperation. It will destroy Denmark's defense system and eliminate the basis for our NATO membership. The Social Democratic Party neither can nor will pay this price. The non-socialist parties will not at all," Defense Minister Hans Engell says.

The defense minister believes that the price for including the SF in the coalition around Denmark's security policy will be terrible experiments with Denmark's security.

"Neither a majority of the people nor in the Folketing will pay this price," Defense Minister Hans Engell says.

MILITARY

FINLAND

# SOCIAL DEMOCRATS PROPOSE ALTERNATIVE TO DEFENSE COMMISSION

Helsinki HELSINGIN SANOMAT in Finnish 15 Feb 85 p 15

[Article: "SDP Offers Pihlajamaki Advisory Committee in Place of Defense Commission"]

[Text] The Social Democrats intend to propose to Defense Minister Veikko Pihlajamaki (Center Party) that a kind of advisory committee be established for deliberating defense force issues and maintaining communication between the politicians and the Army and not a new parliamentary defense commission.

The SDP's Executive Committee outlined the initiative on Thursday. The Social Democrats did not consent to talk about any of the details of the content of the proposal. SDP Secretary Erkki Liikanen, however, is scheduled to meet with Defense Minister Pihlajamaki on Tuesday. The Social Democrats will possibly make their proposal public after this meeting.

The SDP's Executive Committee announced in the beginning of December already that at this time there is no reason in its opinion to appoint a fourth defense commission, as has been proposed by Pihlajamaki. At the Thursday meeting the leadership organ of the Social Democrats came to the same negative conclusion, but the concept of an advisory committee under the Defense Ministry received support.

There have been many different views in the SDP about the necessity and usefulness of a defense commission. Some of the Social Democrats have opposed all kinds of committees, some have opposed narrow "fund distributing committees". Some of the Social Democrats have wanted to establish at least some kind of a communications organ between the politicians and the generals so that the political decision makers would have a kind of lookout and channel of influence on the Army. An advisory committee would fill such a need.

The Social Democrats want to include representatives of the Army as well as of the political parties in a security or defense policy advisory committee. Such advisory committees would be established for a certain period of time, most likely for a parliamentary election term.

At the present time, a national defense scientific advisory committee and a national defense information planning committee are operating under the



Ministry of Defense. The Defense Council is a high level defense organ, but it is a preparatory organ of the president and the government and not a parliamentary organ.

A debate and views on the defense commission began last fall when the government decided to ask about the parties' stand on Defense Minister Pihlajamaki's proposal for the establishment of a new parliamentary defense commission. Pihlajamaki was talking about a narrow "mini-committee" in composition and duties, which would only deal with the financial needs of the defense forces.

Only the Center Party adopted a positive stand on Pihlajamaki's proposal. The establishment of a commission came to a standstill immediately after the SDP adopted a negative stand on it.

10576

CSO: 3617/79

MILITARY

NORWAY

# HIGH DOLLAR CAUSING DIFFICULTIES FOR BUYING ADDITIONAL F-16'S

Oslo AFTENPOSTEN in Norwegian 23 Feb 85 p 9

[Article by Liv Hegna: "Rate of Exchange on Dollar Giving Armed Forces Problems"]

[Text] The air force's supply command really has problems with the increasing rate of exchange on the dollar. At the turn of the year an eighth of the 72 F-16 planes which Norway bought remained to be paid. After the price adjustment which was a part of the agreement, this equals about 160 million dollars, which it is feared must be obtained at today's high rate of exchange. However, Press Spokesman Erik Senstad of the Defense Ministry reports that the armed forces have some income from bank interest until the money is paid.

It is part of the agreement with the airplane manufacturer that payment is to take place five times a year at appointed dates. When this date approaches, the money is requisitioned through the Armed Forces Central Accounting Office and is put into the bank in anticipation of an invoice. According to Senstad, this provides some interest income which, however, will benefit the national treasury first when the entire F-16 account has been settled and decided. The bill at one time read \$707.9 million, based on 1975 sums. The contract contains price adjustment clauses which pick up the real rise in prices in the USA as well as in the European manufacturing countries of Belgium, the Netherlands, Denmark and Norway.

Based on real price increases up to now, as well as the stipulated price increase in 1984 and 1985, the contract sum has reached \$1.287 billion. An eighth, i.e., about \$160 million, remains to be paid. The chief of the finance section of the Air Force Supply Command, Colonel Jan Aasterud, stresses to AFTENPOSTEN that the final amount is somewhat uncertain, since the price increases and the time for the final statement are not yet known.

Press Spokesman Erik Senstad points out that the stipulated rise in prices must not be confused with the increase in the rate of exchange on the dollar.

Under any circumstances, the fact is that Norway bought 72 F-16 planes and has already lost three of these before the country has paid the bill. In air force circles there is no one who thinks that extra appropriations will be gotten to buy three replacement planes, although the Armed Forces Commission

stressed that it considered 72 fighter planes as a minimum force. The commission even assumed that the planes would be equipped with long-range antiship missiles and with air-to-air missiles. The Armed Forces Commission assumed even that replacement planes would be bought for those which were lost. It pointed out that in these "replacement purchases" it will be a question of the planes themselves, since the other materiel, like ground and test equipment, spare parts stockpiles and weapons will already have been bought.

8985

CSO: 3639/86

MILITARY

NORWAY

# UK FIRST SEA LORD ON VALUE OF NORTH NORWAY EXERCISES

Oslo AFTENPOSTEN in Norwegian 26 Feb 85 p 16

[Article by Liv Hegna: "Expensive British Winter Training"]

[Text] North Norway is the primary action area for the forces of the Royal Marines, who train in winter warfare in North Norway for 10 weeks each year. It costs Great Britain about £20 million every year to carry out this training. Admiral Sir John Fieldhouse, commander of the British navy, tells this to AFTENPOSTEN. Fieldhouse recently visited Norway, where he inspected several British units and held conversations with the military leadership of the Armed Forces High Command and NATO's North Command at Kolsås.

British amphibious forces from the Royal Marines carry out annual winter training with participation in field service exercises afterwards together with a battalion of Dutchmen and, among others, Norwegian units. Caterpillar snow vehicles and winter equipment have been prestocked in North Norway in order to reduce transport requirements for this part of the country. The British/Dutch amphibian force belongs to the chief of the Atlantic Command's reserves and can be put into action at various places in this command's territory. The force can be transported to North Norway in about one week.

According to First Sea Lord Admiral Fieldhouse, North Norway is the most probable action area. To the question whether he has tonnage at his disposal to transport the force over from Great Britain, Fieldhouse says that he hopes to be able to maintain the number of special-purpose vessels for the transport of amphibian forces.

To the question whether the British program for nuclear submarines of the "Trident" type can compel the British navy to reduce the priority of funds for the Royal Marines, Fieldhouse answers that it is his ambition that the Royal Marines are to be allotted funds according to sheer military assessments on a level with other armed forces in Great Britain.

As far as the Trident program itself is concerned, Fieldhouse says that he assumes that determent with strategic ballistic missiles will continue to be NATO's main strategy for a 20-year period into the future.

As far as escorting and protection of the forces which are to be transported to the North regions in case of a war are concerned, the First Sea Lord answers that the shortage of escort vessels in NATO is admitted by everyone, and that this task, as far as the North Flank is concerned, also, will be a question which must be decided by NATO's military commanders after a total assessment of needs.

Recently there has been a loud discussion in Great Britain regarding to what extent it was right of Great Britain to sink the Argentine cruiser "Belgrano" during the Falklands War. The First Sea Lord gives this answer to that: "My fleet was 8000 nautical miles from home and was attacked. Unfortunately, the fact is that when military questions are concerned it is not always possible to publish the motives for one's actions, also not such offensive measures as the sinking of the 'Belgrano.' One would thereby give away the sources one has for intelligence. There were very good military reasons for not publishing what we knew and how we learned it at the time in question," Sir John Fieldhouse tells AFTENPOSTEN. He adds that in many ways it is possible to compare the secrecy of military information with an illustration from business: The competitor should preferably not know about every detail, in order for it not to get to act in advance.

It is known that First Sea Lord Admiral Sir John Fieldhouse will take over as armed forces chief in Great Britain as of November 1985.

8985

CSO: 3639/86



MILITARY

NORWAY

# AIR FORCE PILOTS' ASSOCIATION DOUBTS ACTIONS TO HALT QUITTINGS

Olso AFTENPOSTEN in Norwegian 26 Feb 85 p 16

[Article by Liv Hegna: "Air Force Officers Association: Better Pay Will Not Prevent Quitting of Pilots"]

[Text] Economic measures alone will hardly solve the problem of the quitting of pilots from the air force to join SAS. Air Force Officers Association General Secretary Major Ola Finstad tells AFTENPOSTEN this. He says that if the Progressive Party's submitted proposal is taken seriously it will all the same partly solve some of the problems in the air force. Still, the officers association wrote a letter to Defense Minister Anders C. Sjaastad on Thursday, in which a more detailed conference regarding which demands the pilots themselves are making is offered.

Major Ola Finstad stresses that the Air Force Officers Association is completely sure that it is necessary to bring in economic resources in order to slow down, preferably stop, the quitting of pilots. Beside a pay increase, Finstad thinks that better living conditions and better opportunities for taking loans for building one's own home will be high-priority measures.

In the letter to the defense minister the Air Force Officers Association stresses that the association is willing in the short term to provide pilots from all kinds of levels so that the ministry's leadership can through personal conversations gain an insight into where the problems lie.

To the question of how the organization will react if it becomes necessary to /hire/ [in italics] a qualified instructor capacity from, for example, the USA, Major Finstad says that he assumes that opposition will be encountered in the pilot corps if foreigners occupy the top posts in the air force while Norwegians are more or less just for training. Finstad adds that he also does not believe that hired foreign instructors are an acceptable political solution either, but that this side of the issue is outside of the Air Force Officers Association's bailiwick.

Disagree

In a comment the air force pilots disagree strongly with the answer the defense minister gave during the Storting question period on Wednesday, February 20,

where he, among other things, pointed out that measures would be begun which can prevent the expected departure of pilots from the armed forces. The defense minister even said that this departure cannot be accepted.

To this the pilots say, among other things: "Pilots in the air force are hired under quite clear contracts which of course give them an opportunity to resign from their posts when any compulsory service has been completed. Pilots have along the same lines as all other employees an obvious right to choose themselves whether they will continue in their present jobs or change to another employer."

"Measures" on the part of the Defense Ministry will in light of this inevitably take on the character of a "Berufsverbot" [in German, "blackballing"] against military pilots in the civilian job market, something which would not be entirely in keeping with the fundamental principles of a non-socialist government. If the air force wants to keep its pilots it should base itself on competing with other companies in accordance with the rules for a free job market, it reads, among other things, in the statement, which was signed by 27 pilots in behalf of all pilots in the air force.

#### Pilot Crisis Negative PR for Armed Forces

All the attention around the pilot crisis in the air force has affected recruiting for the flight school at Vaernes. Flight School Chief Lieutenant Colonel Reidar Holte tells AFTENPOSTEN that it is now possible to distinguish clearly between the group of students who are aiming at a civilian career and who want to get into flight school, and the group which is applying to flight school with the aim of a military career. The latter category has become considerably smaller now, he believes.

Lieutenant Colonel Holte stresses that young people today are considerably more deliberate as far as job choices are concerned than was the case only a few years ago. Now young people take salary into consideration. But perhaps even more important, opportunities to acquire a permanent residence and chances of their spouses getting jobs and of their children going to the same school throughout their entire schooling. "It is not certain that the air force can attract the very best candidates in the future," he says.

At present there are two new classes of recruits per year at the flight school at Vaernes. Those who begin there automatically complete the lowest level of military air training in accordance with the new junior and noncommissioned officers arrangement. To what extent this alarms young people in addition, Holte has no opinion on. No one has said anything concrete about this question, he says, but adds that problems arose last year (at the same time as the introduction of the new junior and noncommissioned officers arrangement), when it was necessary to evaluate candidates for further training in the USA. "Actually we had problems in filling the quota. It went fine all the same by taking in an extra batch of students. This year the situation is that we so far have managed to send to the USA precisely the number of students we are permitted to. It will have a very unfortunate effect on later generations if the number of fighter pilots called for in the plans are not trained," he tells AFTENPOSTEN.

8985

CSO: 3639/86

MILITARY

NORWAY

BRIEFS

NATO APPROVES TRØNDELAG PRESTOCKING--NATO Approves Mountain Stockpiles in Trøndelag. Trondheim. NATO has approved the fact that the American reserve materiel which is to be stockpiled in Verdal in North Trøndelag will be stored on the mountain slopes, representatives of the municipality reported at a press conference in Verdal on Friday. The formal decision will be made in NATO in May. A mountain warehouse measuring about 30,000 square meters is to be built in Verdal; the construction costs are about 150 million kroner. Previously NATO did not agree to stockpiling in mountains when it was not a question of ammunition. Equipment for 12,000 soldiers is to be stored in Verdal. According to NRK's [Norwegian Broadcasting Service's] Daily News, it will probably be a Norwegian main contractor for the construction. The Armed Forces Construction Service is planning the facility. Verdal hopes that a large part of the facility's jobs can go to local contractors. [From NTB [Norwegian Wire Service]] [Text] [Oslo AFTENPOSTEN in Norwegian 25 Feb 85 p 11] 8985

INCREASED SUBMARINE INCURSION REPORTS--Last year the military received 25 reports of unidentified vessels around North Norway that could have been submarines. That is somewhat more than usual. In one case, in Tysfjord, weapons were used in an attempt to bring a possible submarine to the surface. This was announced at a press conference held in Bodo last Friday by the commander in chief of North Norway. [Text] [Oslo ARBEIDERBLADET in Norwegian 2 Feb 85 p 8] 9336

CSO: 3639/88

1 April 1985

ECONOMIC

BELGIUM

## NATIONAL BANK VIEWS GOVERNMENT ECONOMIC POLICY

Brussels LE SOIR in French 15 Feb 85 p 7

[Article by Pierre Effinier: "The National Bank's Good Report for the Government's Policy in 1984"]

[Text] The National Bank's report has just been issued. And, as always, the Institute which issues our currency provides, as its first priority, an analysis of the worldwide economic evolution.

This is a way of making us understand that Belgium is not Albania. We do not have the means to live in economic self-sufficiency.

Belgium, the true hub, will have accomplished /more or less/ [in italics] in 1984 what might be expected of it, in view of the existence of a favorable international context (the American economic successes).

The most spectacular element in the report--does not appear in it. The directors of the Issuing Institute took advantage of the publication of this annual document to give notice publicly of a forecast of a 10-percent rise in volume of the investments of our manufacturing firms in 1985. Thus the 1984 "feat" in that area would be repeated.

This despite the appreciably less optimistic prognostications recently issued in our banking world.

For the BN [National Bank], in 1984 everything stemmed once again from the United States, and from the recovery that has been seen there in the last 10 years. The strongest since the end of the /Golden Sixties/ [in italics]! With, at the end of it, a lowering of the unemployment rate in percentage of active unemployed from 10 percent in 1982 to 7 percent in 1984.

Thank goodness, the American trade deficit, because of some real play in the transmission belt, led to surpluses for export elsewhere! Especially to Japan and somewhat less in Europe. (The expansion of the Japanese GNP [gross national product] went toward 6 percent, but is an average of 2.3 percent in our EEC).

The EEC, with its ten governments, its ten budget, its ten tax systems, its ten currencies, its nine balances of payments and its eight languages, "did not react consistently to the crisis."

## Belgium's Place Among the Others

What about "our" figures, in this environment?

"Nonregional" Belgium, according to the National Bank report, has experienced an economic growth somewhat better than that of 1983, with a 2.2-percent expansion of the GNP. Inflation slowed down, to 6.3 percent. The unemployment rate stabilized. The net financing needs of the administration diminished. The payment deficit (current) with foreign countries has probably disappeared. To the benefit of the FB [Belgian franc].

In more detail, as far as the inflation goes, Belgium, with 6.3 percent, is in a reasonable European middle. And the BN reminds us that it was the prices of imported products that generated the most inflation here. Hence a defense of the franc, which seems to have returned to a place of honor.

The total mass of salaries paid to wage-earners increased very slightly in 1984, by 0.5 percent after deduction for inflation but incorporating in these wages our social deductions. There was a 3.3-percent decline in 1982, followed by a 3.8-percent decline in 1983.

### Lucky Capitalists

Those who hold inherited property (notably personal property) were more fortunate. With an increase in income of 6.2 percent, after 4.1 percent in 1983. If one had a choice, it was better to be a capitalist than a worker in 1984.

Capitalists and workers combined finally saw their total income improve by 1.2 percent, but that figure is reduced to -0.6 percent after deductions for social contributions, certain taxes, etc.

Business firms continued to benefit from a policy that favored them over consumers. The companies' disposable income rose by 18 percent in 1984.

The firms made rather abundant investments in 1984. In all, the advance was 7 percent in constant prices and for all regions combined. In the manufacturing industry the jump was 11 percent. But 1983 had been marked by a 16-percent decline.

Hence an obvious desire on the part of the National Bank not to go into raptures over our firms' investment "feats", which were nevertheless supported by the 350 billion from the Cooreman law and the very generous income tax reduction related to it.

On the other hand, the development is very satisfactory for our current balance abroad, that is, basically for foreign trade. In 1981, the UEBL [Belgium-Luxembourg Economic Union] deficit reached 156 billion. It vanished in 1984. We benefited, thanks to the "transmission belt" effect, from purchases by foreign countries, and our domestic consumption remained sensibly this side of that of our trade partners, because of Martens V.

Unfortunately, Belgians are still exporters of private capital: 90 billion still in 1984! That deficit is magically erased from the accounts, for now, thanks to



the public loans abroad that brought in 158 additional billions of credits within our borders--until the time, of course, when they have to be repaid.

#### The BN's Mission

The National Bank's personal monetary policy, therefore, is chiefly conducted by way of refusing to lower interest rates--a reduction that is nevertheless so desirable for businesses.

But the National Bank has realized that our double-market exchange system has become not very efficient when it comes to preventing the outflow of individual capital outside the circuit of the official Belgian franc. Such an outflow is thus in danger of being carried out by using the most useful franc, the one that is used for our foreign trade. If a crisis arose in the franc, then, it would point to the danger of dipping into our meager foreign currency reserves, entirely to the advantage of the speculators. (Very meager reserves, if we take into account the 1,000-billion foreign currency debt of the central government.)

In 1985, Belgian will obviously be dependent once more on what happens abroad economically, that is to say, in the United States.

The National Bank scarcely believes in the panacea of a net reduction in the American rates. It would lead to inconveniences, among them a lower dollar and a decline in our exports.

The Martens V policy received a small additional push in the right direction from the National Bank early in this election year. "The magnitude of the budgetary deficit leaves no other choice."

If for some reason the administration's financing needs assumed more importance, confidence in the currency could be weakened, especially in the leading foreign country.

8946

CSO: 3619/53

ECONOMIC

DENMARK

MINISTER COMMENTS ON REPORT 60,000 NEW INDUSTRY JOBS ADDED

Copenhagen BERLINGSKE TIDENDE in Danish 28 Feb 85 p 1

[Article by Svend Bie and Henrik Grunnet: "Sixty Thousand New Jobs in 1984"]

[Text] Colossal growth in employment in the private sector and a modest decline in the public sector. "This emphasizes the significance of the income policy," the labor minister says.

Private industry has created more than 60,000 new jobs in one year, an employment report from the Danish Statistical Bureau shows, in light of the growth in ATP [General Supplementary Pension System] payments from the fourth quarter of 1983 to the fourth quarter of 1984. Employment increased by 24,000 in the fourth quarter of 1984 alone.

"We think that the very positive development will continue. The many new jobs have not been realized in an equivalent decline in unemployment, since many new people have entered the job market; but a continuation of the progress will mean that there will be a pronounced drop in employment [as published] over the course of this year," Labor Minister Grethe Fenger Møller says.

However, she draws attention to the fact that "a good solution to the collective bargaining" is required.

"It is important to see the many new jobs in the context of the income policy. They stress the importance of the fact that the income policy continue," the labor minister says.

Bjarne Nave Simonsen of the Danish Statistical Bureau says that the decline was expected: "But the figures show that the whole increase in employment took place within the private sector, while there, at that, has been a question of a slight decline in employment in the public sector."

The figures for the rise in employment are tentative seasonally corrected ones. They show that at the end of 1984, 1,852,400 were employed full time--the highest figure ever.

8985  
CS0: 3613/118

ECONOMIC

DENMARK

FAEROES' EX PRIME MINISTER; ECONOMIC CRISIS REPORTS EXAGGERATE

Copenhagen BERLINGSKE TIDENDE in Danish 23 Feb 85 p 6

[Op Ed Article by Pauli Ellefsen, former prime minister, MF [Folketing member], Union Party [a moderate, liberal, pro-Denmark party]: "Status of Faeroes' Economy"]

[Text] The economic situation on the Faeroes was recently represented in a negative and non-objective manner in the Danish media. The impression is that since the Faeroes have a net foreign debt of about three billion kroner then the country will go bankrupt in the very near future. There is hardly any reason to come out with any harsh criticism of the Danish journalists in question. The fact is that the Faeroes' Social Democratic Party newspaper for a rather long time, first up to the election and, upon my word, also after the election, has displayed much energy on representing the Faeroes as being on the brink of bankruptcy. Below I will give a brief account of the development of the Faeroes' net foreign debt, which is obviously quite large. But first I will draw attention to the fact that it is easy to find positive traits in the Faeroes' economy. For example, the last three years we have had a surplus in the national treasury account (our State budget), which is extremely unusual, on the Faeroes, too. Another positive feature: Compared to Denmark, calculated on the basis of the population on the Faeroes, we should have expenses for unemployment benefits of up to 300 million kroner in 1984. The actual expenditures for unemployment benefits (or, more correctly, welfare assistance as the result of unemployment) on the Faeroes in 1984 did not approach a half million kroner. There is no unemployment on the Faeroes.

In the last half of the 70's the new 200 mile limit was introduced over the entire North Atlantic. The result was that the Faeroes lost the right to by far the largest part of its raw materials base. A situation which can be compared with Denmark's losing by far over half of its agricultural acreage and over half of industry's supply of raw materials. It can be mentioned that the Faeroes' fishing rights in EC waters dropped from 1978 to 1980 from 49,000 tons to 24,000 tons in cod value. All this of course produced enormous economic problems for our modern deepwater fishing fleet, with the result that we lost a great number of jobs. There was talk of economic stagnation on the Faeroes. The national budget produced a deficit and the net foreign debt grew alarmingly fast.

The then home-rule government under Social Democratic leadership slackened the reins in the middle of the election period and in November of 1980 issued writs for a parliamentary election prematurely for the first time in the history of the home-rule government. The situation was quite serious, too. For example, in 1980 and 1981 emergency crisis loans were given to about 175 Faeroese fishing boats. The money was borrowed outside the kingdom. To my knowledge today there are no applications for crisis loans from Faeroese boats.

The non-socialist government established at the beginning of 1981 broke in two decisive points with the policy which had been conducted.

In cooperation with the Prime Minister's Department and the Foreign Affairs Ministry, negotiations were begun energetically with EC especially, but also with other countries, regarding fishing rights in foreign waters. The Faeroese negotiation delegation succeeded in reversing the trend. Today the Faeroes have access to more fishing outside of their waters than four years ago.

Secondly, a damper, if not to a sufficient degree, but a damper nonetheless, was put on public investment. Nevertheless the national budget showed a deficit in 1981, too. But from 1982 up to and including 1984 it was possible to achieve considerable annual surpluses in the national budget without the tax rules' having been changed and with only insignificant changes in duty rules. The surplus for the current year will be affected in a negative direction, partly because of market problems, and especially because of big subsidies to the fishing industry on account of the recently held parliamentary election.

The net foreign debt was at almost 1.1 billion kroner at the first of 1981. The first two years of the election period the foreign debt rose to over 1.6 billion kroner by the end of 1982. The increase of more than 500 million kroner equaled, largely speaking, interest and loss on exchanges on the then net foreign debt; this in spite of the fact that investment in industry was quite insignificant in 1981 and 1982.

In order to avoid threatening unemployment as a consequence of the reduction of fishing rights in foreign waters, we decided to promote investment in new jobs. Investments have been made in an ultramodern merchant marine, large modern fishing boats for fishing outside our own traditional waters, modernization of our home fishing fleet, fish breeding, the processing industry, and other industry.

It is these extraordinarily large productive investments which have partly been financed by the foreign debt the last two years.

In 1983 and 1984 more than 1.5 billion kroner were invested in the merchant marine and fishing fleet alone. During the same period the net foreign debt rose from a good 1.6 billion [as published] kroner to about 3 billion kroner. The figure is considerably lower than the then opposition leader and present prime minister estimated a scant three years ago, but unfortunately a bit higher than I myself expected.

It should be unnecessary to state that my worries over the economic trend were considerably greater in 1981 and 1982 when our community, without investments of significance, showed a foreign deficit which exceeded interest and losses on exchange on the foreign debt, than my worries are today after 1984 showed a total increase in debt equal to about 75 percent of the investments made in boats alone. These equaled almost one billion kroner.

In judging the results for 1984, consideration must be made for the fact that we had market problems and that the big and very expensive blue whiting trawler fishing failed for the second year in a row, for biological reasons. There were lots of blue whiting, only not the age class which fit the filleting machines on board, a problem which nature will solve, probably already in 1985.

Immediately after the new government had published the coalition agreement for the next four years, the prime minister's advisory committee for the Faeroes came with a strong warning regarding economic development on the Faeroes.

I agree with much of what is said in the committee's very brief report. Since the national treasury does not want to collect or borrow, in any case not amounts of significance, then other means should be found for considerable limitation of private consumption on the Faeroes. During the talks regarding the coalition with the Social Democratic Party, which declined, we proposed, among other things, considerable compulsory saving. Besides, the new government should tighten further both public consumption and public investment.

The committee is also right that we ought not to continue to invest up to a billion kroner a year in the merchant marine and fishing fleet. But there is also surely no one who intended to do this.

In the report the committee expresses doubt regarding to what extent the necessary will to get economic development under control exists on the Faeroes.

We got the first answer to this question last week when the new government presented the budget proposal for 1985. Considerable increases in public expenditures and investment are included in the proposal, as compared with the budget proposal which the former government submitted in December 1984.

These increases will affect the balance of payments in a negative direction both in the short and longer term.

8985

CS0: 3613/114



ECONOMIC

DENMARK

INDUSTRY COUNCIL DESCRIBES EXTENT OF FOREIGN DEBT BURDEN

Copenhagen BERLINGSKE TIDENDE in Danish 21 Feb 85 p 1

[Article by Civi: "We Are 215 Billion Kroner in Debt"]

[Text] It will take one million work years for Denmark to export itself out of the present foreign debt. Every fifth Dane is working to pay interest on the foreign debt, the Industry Council says.

The continued balance of payments deficit and the steadily growing foreign debt have according to the Industry Council given Denmark a new international bottom position. There is hardly any other Western industrialized country which has so large a foreign debt per inhabitant as Denmark. In terms of West German marks, every Dane at the end of 1984 owed an average of over DM 11,500--over 40,000 kroner--to foreign countries.

This comes from the Industry Council's new booklet, "Udlandsgaelden, statsgaelden og industrien" [The Foreign Debt, National Debt and Industry], a current popularized introduction to socioeconomics. It has been sent as a gift to the government, Folketing and a number of schools.

The book maintains that we have a foreign debt of 215 billion kroner, and that in order to earn sufficient currency for payment via exports we must work a good one million work years just to do away with the debt. At the moment 500,000 people work in Danish industry. Accordingly, there is a shortage of a half million to clear the debt, and according to the Industry Council every fifth person is working exclusively in order to pay interest on the foreign debt.

"In consideration of this, there is not much to call for a shorter work week; on the contrary," says cand. polit. [M.A., economics or political science] Henrik Bach Mortensen. "The foreign debt will continue to grow as long as we have a balance of payments deficit. The larger the debt burden becomes, the bigger industry and the other currency-earning occupations must be in order to be able to manage to earn currency for interest and installments on the foreign debt."

"And there is no smart or instant solution to payment of the foreign debt. It would accordingly not help if one made the supposition that every Dane

would each come up with a good 40,000 kroner, or the State collected the money in taxes in order to pay it to foreign countries. Ultimately the money would be changed to foreign currency in Denmark, and Danes could obtain this currency only through export revenues," Henrik Bach Mortensen says.

8985

CSO: 3613/118

ECONOMIC

DENMARK

# PAPER LOOKS AT THREATENING NATIONAL LABOR DISPUTE

Copenhagen BERLINGSKE TIDENDE in Danish 1 Mar 85 p 8

[Editorial: "Meetings at the Milestone"]

[Text] Never before in the country's history has Denmark had so many people employed as now, and certainly never before has it been experienced that the Danish investment upswing was clearly the leading one in West Europe. This favorable growth has been expressed in, among other things, the fact that in the past year over 60,000 new jobs were created in the private sector.

It must be in everyone's--not least the labor movement's--clear interest that this growth be maintained. LO's [Danish Federation of Trade Unions] thoughts also took precisely this turn when they collected themselves at the last collective bargaining result something less than two years ago. If before the next meeting at the milestone we cannot see positive consequences for unemployment and investment, LO will not be able to justify to its members a continuation of the introduced income policy. LO said something of the sort at that time.

Now the labor movement, then, has seen begun exactly the economic process which was desired. But how, then, with the income policy which was to ensure the process's sound continuation? And how, with the negotiation situation, which the conciliation officer now under the threat of an impending major conflict has extended by 14 days?

Many people will perhaps find it curious that the sides cannot find a meeting place, when LO on its part speaks of raises of six percent, and the Employers Association on the other side is surely thinking of concessions which equal close to half of this. The sides must certainly be able to meet some place between these extremes, many observers will certainly think.

However, the real problem may be that LO's alleged six percent is not at all six percent. A review of the main demands shows that this percentage range will be able to be observed only under extremely unilateral attention to the lowest paid. Metal [metalworkers union] has also realized this, and drawn the conclusion from it that now it is desired to have the wage drift ban of up to now totally lifted. And with this demand, a two-digit wage increase percentage has been planned on the part of LO. That is, a return to the old

wage inflation rate, which both in terms of employment and foreign exchange was bound for the abyss. The problem is complicated further by the fact that on the employers' side they do not want to live with a lopsided share compromise which does not contain any raise whatsoever for their most capable people.

All in all the situation is so difficult that it very well can end in a major conflict. LO wants to have it all and is deceiving itself by maintaining that it will cost less than it will. But an income policy cannot be conducted in this way. On the contrary, things can be lost--primarily the good growth in employment, which is in everyone's interest. The labor movement should raise its eyes from the negotiation table and direct them toward the many jobs which are in swing all over the country. It is they which will be brought to a stop in the short term with a conflict whose end is a rise in costs, which will harm the same jobs in the longer term, too. Has the labor movement, I wonder, a down-to-earth man, a man who can bring the negotiations down into the world of realities?

8985

CSO: 3613/118

ECONOMIC

DENMARK

RATE OF INDUSTRIAL INVESTMENT FIRST AMONG OECD COUNTRIES

Copenhagen BERLINGSKE TIDENDE in Danish 24 Feb 85 p 1

[Article by Erik Bendt Rasmussen]

[Text] Denmark is now in first place among West European countries as far as investments are concerned. A few years ago we were in last place. The investments will provide new jobs in industry.

Industrial investments in Denmark are developing more favorably than in the rest of the OECD countries. That is shown by the latest figures. A few years ago Denmark was down at the bottom of the list. The rising investments form the basis for production, jobs and the standard of living in the future.

"It can now be shown that Danish industrial investments are increasing at a considerably more rapid pace than they are in the other West European countries," said political scientist Verner Puggaard, office manager in the Industrial Council, in a comment to BERLINGSKE SONDAAG. "In terms of value industrial investments in this country will increase by 80 percent in the period from 1983 to 1985. This corresponds to a volume increase of 60-70 percent. Holland, Sweden and Norway are closest to us with a growth of 30-40 percent in the same period."

Verner Puggaard said that the main reason for the upturn can be found in declining interest rates and improved industrial earnings. In 1983 for the first time in 10 years the interest rate on bonds was clearly lower than the yields on capital invested in industry. After that it was again profitable to invest in production and jobs. At the end of 1984 the number of people employed in industry had grown by about 20,000 compared to the third quarter of 1983, when the bottom was reached in employment. More than half the decline that occurred in industrial employment after 1979 has been offset.

"The moderation of wage developments that was achieved 2 years ago in the contract negotiations played a decisive role for the growth of investment," said Verner Puggaard.

"Investments started to rise as soon as the 1983 contracts were signed, thus guaranteeing the basis for lower interest rates."



The investments are going into new jobs. They are going into machinery and buildings. Throughout 1984 investments went mostly into buildings and the trend will continue in 1985.

In the first half of 1984 there were 75 percent more industrial building starts than in the same period in 1983.

"Industrial investments are not going into offices and warehouses. They are going into increasing production capacity and the money is not--as some may have feared--going primarily into automation and industrial robots in an attempt to save on wages. These investments are going into expansion that will require more labor and this can also be clearly seen in the rising figures for industrial employment," said Verner Puggaard.

"The investments are based on careful market surveys in the export market sector because the prerequisite for the investments and the increase in jobs is a substantial growth in exports."

6578

CSO: 3613/120

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

# STRUCTURAL PROBLEMS IMPEDE RECOVERY, EMPLOYMENT GROWTH

Hamburg DIE ZEIT in German 28 Dec 84 p 29

[Article by Juergen B. Donges: "The Hour of Business Enterprises?"]

[Text] In its most recent annual opinion, which carries the hopeful title, "Chances for a Sustained Boom," the Council of Experts for the assessment of the overall economic development spread a lot of confidence with its prognosis that the return of a steady economic growth beyond the year of 1985 has become tangible. Compared to 1984, next year's rate of growth for the gross national product is to increase modestly (from 2.5 to 3 percent) and for real capital investments substantially (from 1 to 10 percent). Unemployment is expected to decline (by approximately 100,000), the rate of inflation will remain low (approximately 2 percent).

Nobody wants to spoil the good economic prospects. Nevertheless, in spite of the joy over the attainable, the idea must not take hold that the economic boom will sweep away the structural problems that have been a burden on the German economy for years and which were exposed by the five major economic research institutes.

Considering the progress that has been made in consolidating public spending and fighting inflation, conditions for growth in the German economy are certainly better than they have been for a long time. But the conclusion of the Council of Experts that in the meantime they are equal to those in the United States should be an expression of hope in the future rather than a realization based on facts. The German economy is still facing serious problems regarding employment, global economic policies and technological challenges--the Americans have already reacted to them successfully--if the current economic boom is to translate into sustained growth and an increase in the level of employment.

The biggest challenge is the employment policy. The question whether we will be able to reduce the high level of unemployment in the foreseeable future depends in large part on the development of labor costs--wages and non-wage expenses--the pay structure and the pay and interest relationship. To be sure, this connection is disputed again and again. But the marketplace speaks a clear language. Wage quotas and employment are more or less interdependent with respect to the entire economy as well as in sectoral respects; in the

flourishing shadow economy almost everybody finds work who knows what he wants and who does not demand more in pay than the market value of his particular occupation. If the return on fixed assets declines due to pressure from labor costs--which has been the case in our country for many years--there is little incentive to invest in physical expansion, investments in liquid assets are more attractive, in domestic and foreign markets, and not enough new business enterprises are established.

The price mechanism which regulates merchandising and the capital market also applies to the labor market, but it is not a rigid relationship between growth and employment. Whatever costs a lot, is in low demand, including labor. The "employment miracle" in the United States, which in the meantime is known everywhere, underlines the importance of flexible labor markets. Year after year millions of new jobs are created, and the employment rate, which traditionally had been above the rate in the FRG, is now lower than it is here. Furthermore, it is declining in spite of an increasing use of modern technologies--something that here is often considered a job killer--and in spite of the fact that over there people put in a lot more hours than is the case in this country and there is no discussion in progress advocating a general reduction in working time.

The dispute over a general reduction in working time with no loss of pay demonstrates that the approach to wage policies has not yet been altered to permit greater flexibility in the labor market. The labor unions want to use the flexibility which is part of the Leber compromise and more or less change it into a uniform regulation--in other words, a 38.5-hour workweek for all working people. And it is expected that they will try to reduce the general workweek even more.

Since the wrong wage and sociopolitical developments of the early 1970's have not yet been completely corrected, the cost of labor is exerting new pressures. The consequences are obvious: Either a new wave of rationalization will take place or, in case a general reduction in working time will later be combined with protectionist measures against rationalization, the German economy will fall behind in international competition. In either case, employment opportunities will not improve; rather, they will get worse.

High labor costs and stagnant labor markets will make it more difficult to meet global economic challenges on a permanent basis. To be sure, the German economy is currently profiting from a strong export boom; but, last but not least, it is due to the rising value of the U.S. dollar. The problem, however, is that although the real devaluation of the German mark makes labor-intensive and technically standardized productions profitable again, in the long run the FRG will not be able to maintain a favorable export volume in view of the high standard of real labor costs.

On the world market there is extraordinary competition when it comes to the prices of products, particularly among threshold countries, and there is less competition with respect to quality, which in the past had been of great benefit to the German economy and its employment and income development. As soon as the devaluation trend of the German mark goes into reverse, it will become

evident how competitive our companies really are and whether the current foreign-exchange development did only provide a respite for many of them in international competition. At any rate, there is cause for concern because in spite of the protection from foreign competition, which results from the current exchange rate, those industries which suffer from structural weaknesses continue to insist on protective measures on the part of the state and on government subsidies.

In the future, pressures to adjust to foreign-trade conditions will increase rather than subside. There is no letup among the developing countries in their efforts to industrialize and in view of the supply of labor, which for demographic reasons will remain elastic, wages will continue to go down in spite of the fact that the pressure on labor costs will decline during the next few years in our country. And the more highly developed threshold countries are already in the process of diversifying their production structure and entering areas of advanced technologies. Many things that Japan can do today may be produced by South Korea and Taiwan during the 1990's. With that in mind, a country can only succeed if it makes an effort to produce goods that can be offered at favorable prices and which are attractive from the standpoint of quality.

Against this background there is reason for concern because the German economy shows weaknesses in international competition even when it comes to new, technologically sophisticated products. Of course, technical creativity declined in our country; according to international standards, the FRG compares favorably with respect to the availability of highly qualified scientists, engineers and technicians. The difficulties seem to center on the fact that there consists an inability to develop the innovation potential fast and extensively and come up with marketable products in the area of high technology.

The competitive position is particularly weak with respect to office machines, data processing equipment and products for the communications technology; in other words, areas where microelectronics produced revolutionary changes. Even in the machine-tool industry, which traditionally is a sign of German technical accomplishment, German manufacturers are no longer in the running to the same extent as they were in past; the lead which they enjoyed at one time when compared to their North American and Japanese competition has been reduced significantly, although a dominant market position still remains for a few individual companies and in some specialized areas. To be sure, it is not necessary to dramatize the losses in the share of the market that have been observed here and there, but they are a clear signal pointing to the necessity of employing leading technologies to penetrate new territories.

The meaning of the term of new technological territories can only be described in an abstract manner from a scientific viewpoint: they represent activities in industry and, above all, in the modern service sector, which are oriented toward research and development work and which use highly qualified workers and are able to get along with a comparatively low consumption of raw materials and energy. The more favorable the wage policies are as well as the framework conditions with respect to taxes and institutions when it comes to productive

investments and the new formation of business enterprises that thrive on innovation, the greater the confidence will be with respect to futuristic activities which will result from the search process concerning the market economy.

On the other hand, it would be foolish to expect miracles from government policies regarding industry and technology, whether it is on the state or federal level, or within the framework of the European Community. The state cannot convey future knowledge. If it sees itself in a leading role in spite of it, it is probable that so-called futuristic projects will be chosen arbitrarily, that massive parallel investments and overcapacities will result, that worthwhile possibilities of technological imports will remain unutilized and that enterprises will be less cautious when calculating their expenses for their own research and development programs. In the end we will again be entangled in a vicious circle of more protectionism, more subsidies and more bureaucratic regimentation without achieving long-lasting breakthroughs in production or in the application of new technical knowledge.

Most of the German business enterprises are aware of the fact that they cannot withdraw from the technological challenge. And it is possible that a substantial investment drive will come from that direction, something the Council of Experts is expecting as well. But the question remains whether robots, microelectronics, biotechnology and other new procedures and innovations in production will be introduced soon enough. In contrast to the United States, in our country there is still a lot of resistance against technological improvements, because of the allegation that it increases unemployment and adds to the deterioration of the environment.

Both arguments are incorrect, unless one believes that workers lack personal and occupational mobility and unless one ignores the fact that the structural change of the entire economy falls heavily on the "smokestack industry" and that effective environmental protection cannot be accomplished without modern technology. In some circles the misguided idea exists that a renunciation of continued economic growth would increase the quality of the environment. It just is not so.

Conclusion: The constitution of the German economy is not yet very good. Although the demand for capital goods is currently enjoying a strong expansion, structural mortgages from the past still have to be paid off. In the opinion of the Council of Experts, the hour has arrived for business enterprises. But will they proceed in the direction of substantial investments for expansion projects which, above all, will create jobs that promise more productivity, since there is so much obscurity about the framework conditions? There is still a lack of adequate wage flexibility; market regulations and market access restrictions are still on the agenda, the state is still providing large subsidies and the tax system is still too hostile toward investments, "social symmetry" is still aspired through redistribution rather than increase in efficiency. A major rethinking has to take place before the economic optimism can become a substantiated growth and employment optimism.



ECONOMIC

FINLAND

FINANCE MINISTRY SEES CONTINUED STRONG GROWTH FOR ECONOMY

Helsinki HELSINGIN SANOMAT in Finnish 16 Feb 85 p 32

[Article: "Economic Growth Accelerating, But Decline Seen Next Year"]

[Text] Growth of total production will accelerate somewhat this year and will increase 3.5 percent from last year, predicted the Finance Ministry in its economic development estimate made public on Friday. The economy will turn downward a little at the end of the year.

Chief Director Pertti Sorsa from the Finance Ministry estimated that growth could remain between 2--3 percent next year according to preliminary calculations. Exports to the East will promote growth this year and investments will have an effect even if somewhat later than anticipated. Last year's growth was based on exports to the West and individual consumption.

Economic policy will be made looser in the current year with a cautious approach since the prospects of domestic demand are quite satisfactory. In the first place, an attempt will be made to promote investments. State owned companies, in particular, are actively participating in industry.

The inflation rate will be 5.5 percent this year. Finance Minister Ahti Pekkala (Center Party) demanded more forceful measures against inflation at the public presentation of the development forecast. He set a goal of bringing down inflation to less than 4 percent in 1986.

This will leave very low parameters for nominal income increases in the next round of labor contract negotiations, estimated Pekkala.

In addition to other competing countries, development in Sweden, in particular, will present a serious challenge to Finland according to Pekkala inasmuch as the moderate labor contract solution planned in Sweden becomes a reality. The goal of the Swedish Government has been a labor contract solution for this year which would bring inflation down to 3 percent. Sweden would retain its position with regard to its competitors, but our price competitiveness would continue to decline, stated Pekkala.

Unemployment will continue to remain high even though the demand for a labor force will increase since the supply of the labor force continues to increase

perceptibly. The average number of unemployed is estimated to be 5.7 percent of the labor force or 10,000 less than last year.

#### More Impetus for Investments

According to the development forecast, domestic demand will be an important factor in supporting production this year. Last year fixed investments decreased 1.5 percent. This was the result of sluggishness in the private service sector.

Because of a reduction in the interest rate, an increase in the utilization rate of capacity, and improved profitability, it is expected that the growth of industrial investments will continue in the current year. According to the Finance Ministry, growth will be maintained primarily by investments from state owned companies, otherwise industrial investments would increase only slightly. All in all, fixed investments will probably increase 4.5 percent.

The growth of individual consumption will continue at last year's rate although it will slow down toward the end of the year. On the other hand, public consumption is increasing at a rate that is slower than it has ever been in the last 20 years.

The growth of industrial production is more energetic than the development of overall production or 4.5 as well as 3.5 percent. The growth of the forest industry is coming to a halt, but production in the metal and consumer goods industries is increasing faster than last year.

The Finance Ministry predicted that the balance-of-trade surplus will increase to 6,400 million markkaa this year. The balance of payments, for its part, shows a surplus of approximately a half billion markkaa.

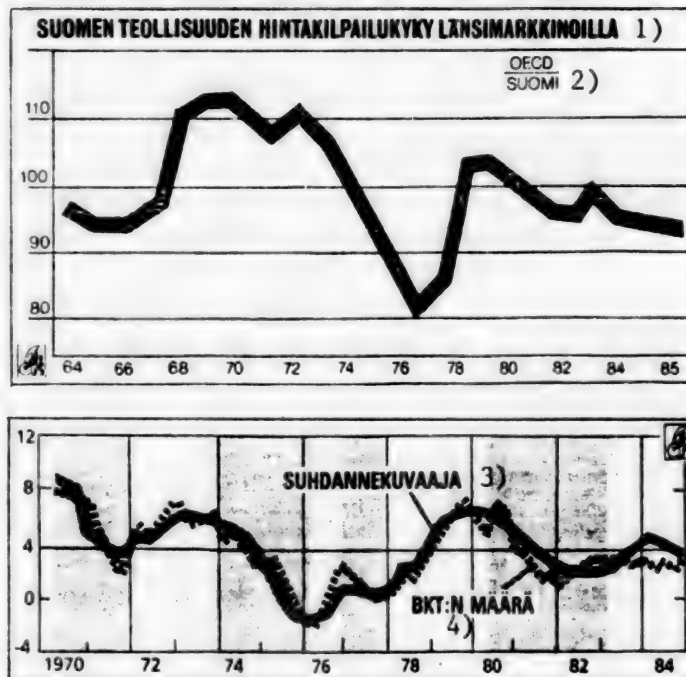
#### Much Is Uncertain

According to Chief Director Sorsa, many factors of uncertainty will still manifest themselves next year. He considers it possible that growth will slow down at a rate less than expected. This can happen if the recession in the West remains less severe than predicted.

Sorsa emphasized the good foreign balance of the economy for last year as well as this year. In addition to many other factors, the chief director emphasized the effect of the high interest rate. He characterized the Bank of Finland's interest rate policy as admirable. According to Sorsa, it seems to have perceptibly restrained purchases for reserves, among other things, and along with this, imports.

#### Director of Statistical Center: Small Figures, But Still Everything Is Good

The national economy did not grow at the expected rate last year. According to preliminary data of the accounts on the national economy, overall production grew 2.9 percent over the previous year. The most hopeful estimates were 4--5 percent last year.



**Key:**

- 1) Price competitiveness of Finnish industry on Western markets
- 2) Finland
- 3) Economic indicator
- 4) Amount of GNP

In spite of the low figures, economic development is considered to be quite good. Chief Director Olavi Niitamo of the Statistical Center points out that our gross national product is so high that even a 1-percentage point increase this year would have meant a 4-percent increase during the famous Korean boom in 1950.

A 3-percent growth rate is of such a magnitude according to Niitamo that "stereos and videos will be coming out our ears". On the other hand, there will be a problem from the fact that expenditures prescribed by law are tied to a more than 3-percent growth rate. Unemployment is another problem.

According to Niitamo, we can now be satisfied if the average growth of production can be kept at 3 percent and unemployment at "only" 5 percent.

According to the Statistical Center, the primary reason for a slower than forecasted development was the decline in investments by 1.5 percent last year. Private as well as public investments decreased by the same amount.

The final figures for last year's overall production will be slightly higher than what is indicated by the preliminary data according to Niitamo's estimate. Thus the increase in last year's overall production was apparently slightly more than 3 percent.

In calculating the final figures, the compiling of statistics on investments becomes a problem in itself. Niitamo points out that firms are forced to invest more than before in intangible assets or knowledge and skill, software. Niitamo estimates that if an accounting could be made of intangible investments, then investments would have increased slightly.

The Statistical Center is initiating negotiations with the Industrial Association on the reform of inquiries to be sent to firms. Many firms are ready for the reforms according to Niitamo, but there are also many firms which are only irritated by all additional inquiries.

### 300 Billion Mark Broken

According to preliminary data, Finland's gross national product last year was a full 304 billion markkaa. Nominal national income increased 10.5 percent and calculated on a per capita basis the national income was approximately 51,800 markkaa or 4,700 markkaa more than in the previous year. This year it will reach 56,500 markkaa.

Exports increased 6 percent and their value increased 14 percent according to the preliminary data of the Statistical Center. The corresponding figures for imports were 1.5 and 6.5 percent. The amount of individual consumption expenditures, for its part, increased a little less than 3 percent and the amount of public consumption increased 3.5 percent.

While the total gross national product increased 3 percent, industrial production increased 3.1 percent. The growth of the production of the refining and processing industries remained at 2.2 percent since construction work fell off by 2.8 percent. Last year the growth of the wood and paper industry was approximately 7 percent, the metal industry 5, and electricity, gas, and water management was 7 percent.

Production in the extractive industry increased 3.2 percent, but this increase was entirely the result of the 7-percent increase in the forest industry.

10576

CS0: 3617/79

ECONOMIC

FINLAND

## PAPER URGES CONTINUING POLICIES TO RESTRAIN INFLATION

Helsinki HELSINGIN SANOMAT in Finnish 15 Feb 85 p 2

[Editorial: "Lower Ceiling on Inflation"]

[Text] Finland's economy is experiencing an era of stable development. This is the opinion of the Finance Ministry. In its guideline for compiling next year's state budget proposal it predicted that the growth of overall production will slow down only slightly from the current year's 3--4 percent. Last year's growth turned out to be less than expected or around 3 percent. In making references to this, in particular, industry has already demanded actions for stimulating the economy.

The Finance Ministry is of the opinion that state expenditures for increased measures for stimulating the economy are not criteria for an economic policy next year either. Indeed, export growth will become weaker this year already and international economic development will probably continue to reduce foreign demand next year. Investment growth will compensate for this, but the employment situation, however, may become more difficult next year, surmises the ministry.

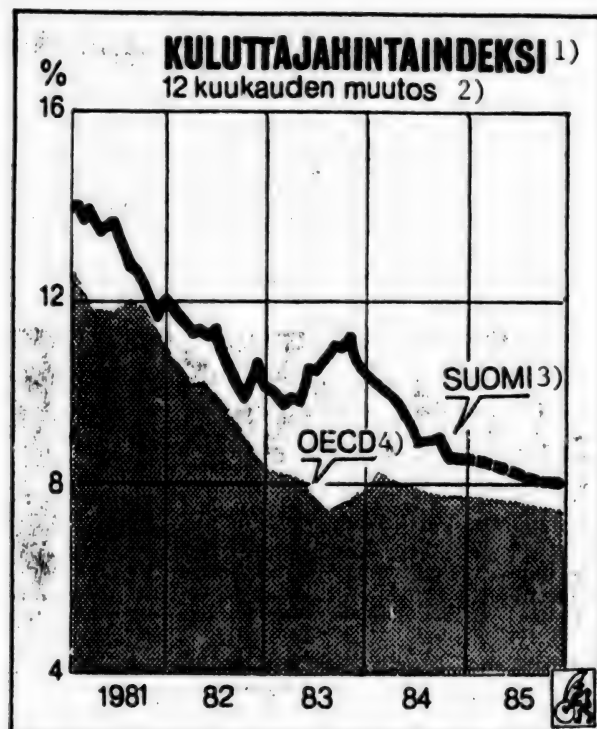
A tight policy line in the guidelines for compiling the budget does not appeal to everyone. It is, however, inevitable already for the reason that the rate of inflation must continue to be restrained. The price competitiveness of production became perceptibly weaker last year and will continue to grow weaker this year by a couple percent even if a 5-percent inflation ceiling is accomplished.

It is valid that the government's goal to bring down the inflation rate be as ambitious as possible. This will force effective actions in practice also. The government's 4-percent goal for next year has justifiably been considered to be insufficient. It is still not enough to improve price competitiveness. The Finance Ministry is now saying more demandingly that inflation can be 4 percent at the most.

A tight budget will not, however, present obstacles for certain actions supporting investments. The investment provisions for firms, for example, can be freed up for use before next fall already, as the government has already promised. The scheduled increases in the social security payments of employers



will be eliminated in the fall. The interest rate on loans will continue to decrease this year.



The rate of increase in Finland's consumer prices has remained higher than the average rate of other industrialized countries for all of the first half of the 1980s.

Key:

- 1) Consumer price index
- 2) 12-month change
- 3) Finland
- 4) OECD

It is doubtful that there will be a need for anything more than investments by enterprises in a situation in which economic growth is reasonable. In a receding economy additional measures, particularly in finance policy, may be necessary. It is very difficult to accelerate investments with a monetary policy in a situation in which a receding economy takes away the sales opportunities of products and services.

It is most important to make certain that prices and expenditures increase at the slowest possible rate. In addition to the government's finance policy and the Bank of Finland's monetary policy, this is affected by labor contract solutions, among other things. Next year's wage and farm income solutions are still shrouded in mystery as next year's state budget is being compiled. Preparations should be made for them in the budget so that moderate solutions will be promoted.

An inflation rate of less than 4 percent next does allow for any imprudent or frivolous decisions anywhere. If, on the other hand, the inflation goal is compromised, it will spell trouble for Finland's economy. Our country cannot afford an inflation rate that is higher than that of our competing countries forever.

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CSO: 3617/79

ECONOMIC

FINLAND

#### FINNISH FIRMS SEEK RUBLE FUTURES TRADING SYSTEM

Helsinki: HELSINGIN SANOMAT in Finnish 17 Feb 85 p 39

[Article by Harri Saukkomaa: "Firms Seeking Ruble Exchange Friends, Futures Markets To Begin If Importers Are Found"]

[Text] Finnish firms are attempting to cover their ruble risks among themselves if suitable trading partners can be found. Imatra Power, at least, is currently negotiating with a Finnish exporter on a 14-million ruble futures agreement.

The Bank of Finland ceased covering ruble risks in the summer of 1983. The risk was transferred to the commercial banks, but even they soon rejected futures trading in rubles.

After the decision of the banks, firms conducting trade with the Soviet Union planned tighter cooperation in the covering of ruble risks. In practice it would have meant that a firm importing from the Soviet Union would have to find a suitable exporter.

A firm importing from the Soviet Union must pay in rubles and an export firm, for its part, receives payment for its exports in rubles. Ruble exchange rates are a problem for both, and if their transactions are almost the same size, they can even out the risk by exchanging contracts.

In futures trading a firm importing from the Soviet Union "buys" the ruble accounts receivable from a firm exporting to the Soviet Union. The price is determined by the predicted development of the ruble's rate of exchange and the conditions of the transaction.

When the Bank of Finland withdrew from the ruble's futures markets, Kone decided to plan for a more extensive transmission of futures contracts in rubles. It reserved its own computer terminal in Reuter's economic data network for this purpose.

Kone, however, abandoned its plan since it did not want to become too involved in "banking activities". Another reason could have been that no suitable import firms were available. Kone let it be known that it will conclude futures contracts with all willing parties if a price can be arranged.



Key:

- 1) Finnish Markkaa
- 2) Dollar's selling rate



Key:

- 1) Finnish Markkaa
- 2) Ruble's selling rate

#### Message from Exporters

Other Eastern trade exporters also sent out the same message. The other side is more difficult to find. Neste, the biggest importer from the Soviet Union, is not suitable for futures trading in rubles since the oil trade is based on the dollar.

Rautaruukki, for its part, has "experimented with a few million markkaa" in futures contracts according to its own modest announcement. As far as is known, the company has negotiated with exporters, but several of the negotiations have fallen through when no agreement could be reached on the price.

Imatra Power has not previously concluded futures contracts, but it is now negotiating with a Finnish exporter on a 14-million ruble or 104-million markka futures contract. The company does not want to mention the exporter's name or the schedule since negotiations are still in progress.

Banks have also attempted to act as an intermediary in futures contracts. A certain Finnish exporter recently received an offer from a foreign bank for a 5-year futures contract. The firm on the other side is most certainly Finnish, since there are no ruble transactions with the Soviet Union in other Western countries.

The banks will not, however, reveal the names of the firms since the firms could otherwise mutually reach a direct agreement on a futures contract, and the bank would be left in the cold.

Firms can also protect themselves from ruble risks by depositing rubles according to the currency basket. The Soviet Union has announced a ruble basket, in which the dollar weighs 42 percent, the D-mark 19 percent, the Swiss franc 10 percent, the French franc 10 percent, and the Japanese yen 9 percent.

#### The Luck of the Draw

Banks grant credits in accordance with the currency basket. Firms can also deposit rubles in amounts corresponding to Western currencies in the basket. Thus they can also predict the future development of the ruble.

The ruble has not been a particular problem for exporters recently. It has held its rate of exchange well and has risen in value at the same rate as the dollar. For example, the evaluation of the ruble has been part of the pricing procedure for construction companies: those which have been able to predict the strong rise of the ruble have fared the best in price competitiveness.

However, the time of the strong ruble can come to an end. It could end by an administrative decision of the USSR; the ruble is not a form of money which obtains its value by the trading conducted by currency dealers.

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ECONOMIC

FRANCE

INSEE 1984 ECONOMIC REPORT

Paris LES ECHOS in French 28 Feb 85 p 4

[Excerpts] The INSEE [National Institute of Statistics and Economic Studies] has reported: "In 1984 the French economy felt the full effects of the strengthening of the austerity policy decided on in the spring of 1983." 1984 was a year characterized by a noticeable slowing down in the increase in salaries and by substantial progress in hourly productivity (5.8 percent, compared to 4.4 percent in 1983). Therefore, company profit margins substantially increased. Furthermore, there are 300,000 more workers looking for work, resulting in an unemployment rate of 10 percent. The increase of 2 percent in the merchandise PIB [Gross Domestic Product] was balanced almost equally by an increase in stocks of goods on hand and a reduction in the external trade deficit.

An examination of the contribution of the major branches of the economy to Gross Domestic Product (up 2 percent) brings out the decisive role played in 1984 by agriculture and the agro-food industry, which contributed 0.8 percent of the total. The energy sector contributed 0.3 percent to the increase; manufactured products, 0.4 percent; services, 0.7 percent; while there was a reduction of 0.2 percent in the contribution of the GTP sector to the Gross Domestic Product. On the employment side the role of domestic demand in reducing stocks was negligible, especially because the increase in the use of services (0.7 percent) was counterbalanced by a reduction in the purchases of manufactured products (down by 0.6 percent). The INSEE emphasized: "Therefore, the growth in Gross Domestic Product was divided almost equally between an increase in stocks (mostly agricultural products) and a reduction of the external trade deficit."

In turn company performance continued to recover substantially. The gross surplus of business activity compared to added value worked out to 39.4 percent, or an increase of 1.5 percent, compared to 1983. However, just as the improvement in 1983 resulted in particular from the slight increase in the cost of intermediate consumption, so the recovery in 1984 came from a moderation in salary costs, taking into account significant increases in productivity.

## Foreign Trade: a Relatively Declining Performance

In 1984 the balance of trade in manufactured products made a spectacular recovery (an improvement of 100 billion francs), amounting to 70 percent, compared to 1983. However, the performance looks less impressive than that of foreign competitors.

The INSEE sought to determine whether the increase in French exports to a given area reflected an improvement in the performance of "made in France" products or whether it was due to an overall increase in imports of the area in question. The verdict is clear: "The overall, relative performance of France deteriorated (by 4.6 percent), as a result of the fact that the rate of relative penetration by France, compared to its foreign competitors throughout the world, decreased (by 1.5 percent), while the rate of penetration by foreign countries in France increased (by 3.1 percent)."

Therefore, we should speak, not so much of an improvement in real French competitiveness, but much more of an increase in imports by foreign countries.

## Price-Salaries Ratio: a Marked Decline

In 1984 domestic prices experienced a noticeable slowdown in their rate of increase, despite the strong increase in the foreign exchange rate of the dollar, which tended to raise import tariffs, according to the INSEE.

At the level of prices at the point of production the slowdown was uneven. It was substantial in the services sector and even more so in agriculture (where we even saw a decline in prices). This slowdown only made itself really felt by the end of 1984 in the manufacturing sector.

On the import side the prices of agricultural and food products increased in 1984 by an average of 12.6 percent, but only by 5.4 percent on the whole. For industrial raw materials the decrease in dollar terms was in the order of 10 percent. However, the index in franc terms increased by 14.2 percent on the whole and by 15.2 percent on the average.

In parallel fashion the slowdown in the rate of increase of average salaries (for all companies) clearly continued and came out to a quarterly average of less than 2 percent, compared to a rate of nearly 4 percent in 1982. The INSEE emphasized: "This development is certainly one of the more notable features of the year."

Taking the overall increase as a point of departure, we note that the rate of increase in salaries fell from 10.6 percent in 1983 to 6.6 percent in 1984. In the view of the INSEE, this difference of 4 percentage points broke down in the following way: a slowdown in the rate of increase of retail prices accounted for 1.3 percentage points, and the increase in the unemployment rate accounted for 1.0 points. Inversely, there was an increase of productivity of 0.5 points to be added, giving a total of 1.8 points. Therefore, about 2.0 percentage points remain "unexplained," perhaps to be related to the new policy of salary determination.

Elsewhere in the economy the INSEE calculated the effect of the policy of price surveillance. The functioning of the prices equation leads to the conclusion that there was a reduction of 1.4 percent in the overall level of prices of services and of retail, non-food prices as a result of the controls established.

#### Income: Decline Continues

The purchasing power of disposable household income recorded a slight decrease of 0.1 percent, compared to a decline of 0.5 percent in 1983.

Household consumption progressively adapted itself to the decline in purchasing power, which in 1984 resulted in no overall decline and a 0.5 percent average decline. The INSEE noted that this change was greater in the case of manufactured products, which are the most sensitive to the overall situation. The INSEE stated that purchases of food products changed slightly, by comparison with 1983.

#### Employment: 10% of Labor Force Unemployed

The number of persons in the working force who were employed declined in 1984 by 230,000 units [including those employed part time], or by 1 percent, which was the decline in 1983.

For the merchandise sectors alone the tendency was worse, amounting to a decline of 1.4 percent in the past year. The INSEE remarked that it was in the course of 1984 that France, compared to its principal trading partners, noted an unemployment trend different from the two previous years, with the unemployment rate increasing from about 8 percent to more than 10 percent of the working force by the end of 1984.

5170

CSJ: 3519/199

ECONOMIC

NETHERLANDS

## RUDING ON LOWERING OF BUDGET DEFICIT, SPENDING CUTS

Rotterdam NRC HANDELSBLAD in Dutch 19 Feb 85 p 15

[Interview with Onno Ruding, Dutch minister of finance, by editor Jose Toirkens; The Hague; date not specified: "Ruding: No Additional Tax Cuts for Individuals in 1986. Minister of Finance Stands Firm on Reducing Central Government Deficit, despite Scepticism from CDA [Christian Democratic Appeal] and VVD [People's Party for Freedom and Democracy]" ]

[Text] "We have to work for a central government deficit of 5.7 percent [of national income] in 1986. However, I admit that we are unlikely to achieve that percentage. But, if we go higher than that, then those who argue that the priority should be on lowering taxes and social welfare contributions rather than on reducing the deficit will just have to forget it for the period after 1986."

Minister Dr Onno Ruding is not impressed by the scepticism with which the specialists from the CDA and VVD governing parties reacted last week to important sections of his article on the NRC HANDELSBLAD's opinion page. Rather, he sees that as a spur to continue carrying out his economic message: government spending must come down, and the cuts must be used primarily to reduce the deficit. Otherwise, in a few years we will be presented with the reckoning in the form of an interest burden that will go through the ceiling.

In the article which the minister volunteered to write for the NRC HANDELSBLAD, he came up with a striking interpretation of the coalition agreement between the governing parties. His interpretation represents a tightening up, as CDA financial specialist Van Dijk remarked the next day. According to Ruding, the coalition agreement does state that the total government deficit in 1986 must be reduced to 7.5 percent, which includes a deficit of 5.7 percent for the central government. If deficits at the lower levels of government are considerably less than expected, as is now happening, then the central government deficit cannot be increased correspondingly. The basic principle must continue to be a central government deficit of 5.7 percent.

Both Van Dijk and his colleague De Korte, the VVD financial specialist, said they did not feel themselves bound by this interpretation, which is of course understandable with an election year just around the corner.

Ruding: "It is 10 times harder to achieve the 5.7 percent for the central government than the 7.5 percent for government as a whole." Nonetheless, he thinks that the effort must be made. From the rest of his argument it appears that his principal purpose is to see that there are no additional tax cuts for individuals in 1986. Under certain conditions the tax cuts promised to business might in part be converted to tax cuts for individuals, but he will not go any further than that. "If cuts and an improvement in the economy give us some room to work with, then that room must certainly be used to bring about a further reduction in the deficit, even if we have already achieved the 7.5 percent."

If it is very unusual in itself for a minister to take pen in hand on his own initiative in order to contribute to a daily newspaper's opinion page, then it is even more unusual if the day before a representative of the minister had told the newspaper's editors that the minister did not want to give an interview on the same subject because he did not think it opportune to say anything on the subject at that time.

Ruding himself attributes his sudden authorship to "the way the Second Chamber of Parliament works." "During the comprehensive committee meeting at which the Second Chamber dealt with the finance budget, so many things came up that there was not enough time to pay much attention to the problem of the deficit and interest burden. You do not have a second chance in such a committee meeting. I thought it would be useful to explain my ideas once again."

To remove the impression that the minister does not want to answer any closer questions on his ideas, the interview that had been requested weeks before is now granted. For Friday evening, when the minister has already worked a long day in the ministry cleaning off his desk before leaving for vacation the next day with his wife and children.

#### Driven

However, working late is not unusual for the minister of finance. Anyone who drives by the ministry in the evening will frequently find that only the minister's office on the first floor is lit. The minister feels himself driven to pull the Netherlands out of its difficulties. "Otherwise, they could just as well have set somebody else down in this seat," he said in an earlier interview. This feeling of being driven also reveals itself in the irritated way he reacts to anything connected with stimulating the economy or in his forceful comments on the danger of such stimulation.

"Naturally I agree with those who say that economic growth is in itself essential, not least for lowering the deficit. That is beyond dispute. But to say that you have to work for economic growth, hence you do not need to cut any more, that argument is totally wrong."

[Question] Still, more and more people are saying that you do have to cut, but you do not have to use those cuts primarily to reduce the deficit; to a large extent you can use them to reduce taxes and social welfare contributions at the same time. That is good for economic growth. And economic growth will automatically bring the deficit down again too. Your fellow CDA-member Van Dijk, for instance, suggests that as a way to reduce the deficit.



[Answer] In any case there will have to be cuts, even after 1986, in order to make growth possible. We have to make some room for business. That is why the government's share of national income has to come down. And that can perfectly well occur without a drop in demand such as the PvdA [Labor Party] was expecting 2 years ago. You do not hear anything more about that now. That fear turned out to be unjustified.

[Question] In themselves cuts do lead to a drop in demand, as you can see from calculations by the Central Planning Bureau. Is it not just that you were intelligent enough to counteract the cuts with some tax reductions and that you had the business cycle with you?

[Answer] You have to look at the results of the policy as a whole. And at the time we did see the economic recovery coming, so that we knew the effects of the drop in demand would not be so serious. Besides, in other countries too they seem to be less severe than expected for short-term cuts.

[Question] Assuming that there will be more cuts, can the cuts be used more to reduce taxes than to reduce the deficit? We have already mentioned Van Dijk's views. Prof Rutten, an important cabinet adviser, argued that after 1986 taxes should be cut by one percent of national income (presently 350 billion guilders) a year. He wants to use the cuts primarily for that and not to reduce the deficit, if we achieve a deficit of 7.5 percent for the central government in 1986. VVD specialist De Korte agrees with him.

Adding: I do not want anybody to get the impression that I am against tax cuts. I think tax cuts are desirable because taxes and social welfare contributions are too high. However, I put a higher priority on reducing the deficit, because even if it is fortunately coming down, it is still much too high. I do not mean by that to play down the need for tax cuts. However, we have already done more in 1985 to cut taxes than we were supposed to do in 1986 according to the coalition agreement. If at the same time I see that it will be quite a feat to bring the total government deficit down to 7.5 percent in 1986--and let us not even talk about the chances of achieving the 5.7 percent for the central government--then it is simply folly to change course already before 1986 by sharply shifting the focus of our efforts.

[Question] Rutten and the governing parties support a change of course after 1986.

[Answer] I interpret Rutten's argument to mean that he supports such a change if the central government deficit for 1986 has reached the level of 5.7 percent of national income.

[Question] Rutten is talking about a total government deficit of 7.5 percent. Under present conditions that would provide for a central government deficit of more than 5.7 percent.

[Answer] Rutten is talking about the target in the coalition agreement, which is: 5.7 percent for the central government. Assuming that is achieved, there is a lot to be said for what Rutten suggests about shifting the emphasis to

tax cuts after '86. But only assuming that is achieved. We can talk about it then. Otherwise we cannot. Only if the deficit has reached an acceptable level and if there is then still some room left over to work with, then as far as I am concerned all that room can be used for tax cuts.

[Question] But cuts without compensating measures--measures designed to spare incomes for instance--do act as a brake on growth, do they not?

[Answer] That depends on the cuts. You can cut by simply firing people. That does have a very negative effect. But there are all sorts of cuts that do not have such effects. If you also consider the state of the economy, then there is everything to be said for making more cuts now. Who knows what will happen in a few years from now? Even the experts from the [Social Economic Council] recently recommended that we make hay while the sun shines.

[Question] Still assuming that there will be further cuts, with the economy improving, are tax cuts not better for economic growth and for the deficit than cuts that only go to reduce the deficit?

[Answer] I do not know whether economic growth and tax cuts really do bring about a reduction in the deficit. They make extra room to work with, but what happens to it? Not all sectors that get such room will use it, and if they do not, such measures have no effect. Part of the benefit goes abroad. That too has no effect on the national economy. In part there will be more investments by firms that already have too much capacity. Not much benefit there either then. And to a small extent it will indeed help. It will indeed. But: you have to grow into your clothes evenly, structurally. And the clothes were already too big for some sectors. Take the retail trade, for instance. You must not create all sorts of stimulation that in some cases will work against necessary, structural adjustment.

[Question] When is the deficit out of the acute danger zone?

[Answer] When two conditions are met: when the ability to finance it is not a problem, and when the interest burden is not rising as a percentage of national income. As for the latter point, even in the best of circumstances, we will achieve it only after 1990. I admit that now financing the deficit is no problem, but it can very well turn into a problem in a few years because of the repayments we will have to make then. You have to bear that in mind too.

[Question] When will you have achieved that?

[Answer] With present-day assumptions, you will have to achieve a central government deficit of 2.5 percent. Only then will you be in a situation where the burden on the state is no longer growing.

[Question] In the budget you note that if the budget grows by one percent a year in the 4 years after 1986, then it will be necessary to cut over 20 billion guilders more if we are to attain that deficit level. And if there is faster growth, we are still talking about substantial amounts of money. You have already cut so much. Are there enough possibilities left yet?

[Answer] By definition it is more difficult to come up with still other sound new measures when you have already done a great deal. However, there are indeed other possibilities. I am not going to tell you all of them right now, but for instance I am thinking about rent subsidies to individuals, about social security. Take countries like Sweden and Austria that are noted for their welfare state. That have a far more stringent policy on spending totals than we do. We can reduce the number of people who take advantage of certain measures still further by raising the thresholds.

[Question] If the economy grows further and people are better off, can you imagine it happening that the only people whose income goes down would be those receiving public benefits?

[Answer] Then I will toss the ball to the employers, workers, and politicians. If they seriously believe that jobs come before income, then they must do what that solidarity requires. I am not saying that wage moderation must continue indefinitely, but you also have to bear in mind the social aspects of things. I certainly will admit that there are limits to what we can accept in the way of economic differentials between individuals. However, like my colleague De Koning, I myself am in favor of a certain income differentiation, in favor of an increase in the net difference between the minimum and the average incomes.

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CSO: 3614/66

ECONOMIC

NORWAY

CONSERVATIVE PAPER ON SDP'S LEVERAAS COMMENT ON SHORTER WORK WEEK

Oslo AFTENPOSTEN in Norwegian 26 Feb 85 p 2

[Editorial: "Gratifying Realism"]

[Text] Reforms which aim at shortening of the work week in one form or other are costly. But it becomes extra expensive if they are carried out before an economic basis has been created for such a rise in affluence. Therefore, we are greatly gratified over the realism the Labor Party's Secretary Ivar Leveraas is now displaying. This is valuable not least when LO [Norwegian Federation of Trade Unions] on its part has thrown all restrictions overboard and written an unencumbered list of desiderata which contains both a lowered retirement age and a shorter work week and five weeks of vacation.

These are reforms which will really cost, Leveraas maintains, and at the same time cools down those who believe that shortening of the work week in itself will be the decisive measure in the campaign for higher employment. This somber-mindedness hardly makes him very popular in all the buildings encircling Youngstorvet [Young's Square]. But on the other hand he is contributing to creating a good basis for agreement between the country's two major political parties regarding the time-for-working reform, which in our opinion should have first priority, i.e., a more flexible retirement age for those groups which need it most.

Many people have so strenuous a work contribution behind them when they reach 60 that they can feel a strong need to slow down somewhat. With the limited resources we have at our disposal, there is much—as Leveraas puts it—which calls for such groups' being prioritized before a general lowering of the retirement age. Here it is a question of quite real human needs which must come first.

When we have absorbed this reform and some time in the future can afford to grant ourselves more well-being, we can then return to the question of a shorter work day and longer vacations. A 6-hour day would, for example, be a valuable equality policy and pro-children reform. On the whole there is certainly much in favor of our gradually selecting rising affluence in the form of more spare time, instead of constantly rising wages, which many hardly get time to enjoy the fruits of before it is too late. A series of polls also confirm that people most want such a development.

However, we should watch out for fixed and schematic solutions. For most families with small children fewer hours per day would certainly be preferable, while others want a shorter week or longer vacation. It is certainly the case that a short work day is not too efficient in many jobs, and some have such a long commuting time that they would rather work fewer but longer days. With modern data processing it should not involve serious problems to give the individual a great degree of freedom of choice in this area. It surely ought not to be a goal that we all walk and work in step.

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CSO: 3639/86



ECONOMIC

NORWAY

# CENTRAL BANK CHIEF IN ANNUAL REPORT PREDICTS STRONG GROWTH

Oslo AFTENPOSTEN in Norwegian 27 Feb 85 p 2

[Editorial: "On the Road to Recovery"]

[Text] The Norwegian economy has good prospects for the future, according to director Knut Getz Wold, who delivered his final annual report last Monday on behalf of the Board of Directors of the Bank of Norway. As usual, this Nestor of Norwegian economic policy used strong, rather than long, words in his analysis of the country's situation. He left no doubt, however, that we are on the right track. Unemployment and cost increases are the main problems and Getz Wold has noticed slight improvements in both areas.

Nevertheless, we will face serious challenges in the near future. In an interview with DAGSREVVYEN, Getz Wold stressed that the conversion rate in industry was too slow. In addition to wage increases that are too high, this is an extremely important factor in our competitive strength. Even if we should accomplish the vital task of keeping wage costs down, we would still be in a relatively weak competitive position in the international arena. We can never hope to produce most traditional goods at a lower cost than they are produced in newly industrialized countries with their low wage costs. On the other hand, our high level of training and technology should enable us to produce goods and services in areas where wage costs are not the decisive factor in competitive strength.

Unfortunately, this conversion is taking place much too slowly. The figures show that the transition from low-growth industries to areas with high rates of growth is occurring more slowly in Norway than among our most important trade partners. It is said from time to time that sluggishness is one of our national traits. Indeed, our inherent conservatism and fear of change have slowed us down. We like things to be as they always have been. In general, much more attention is given to the danger of losing 500 old jobs than to the possibility of creating 5,000 new jobs.

The heaviest millstone around our neck, however, is the aftereffects of the Labor Party's unfortunate countercyclical policy during the latter half of the seventies. Large sums were spent to save failing companies instead of spending this money to prepare the soil for new and more viable companies. In addition, we had low-wage settlements that helped perpetuate the antiquated

industrial structure. Labor was not attracted to companies with the highest profitability. It was in these important areas that the conversion should have begun in earnest. Instead, we were stuck with many companies with high wages and little or no profits. Eventually, this must result in closed plants and rising unemployment, with no new factories available to absorb this displaced work force.

The Willoch government quickly took steps to reverse this trend, but has pointed out all along that this would take time. We have also seen that even the present government has not always had the courage to say no when a board chairman or local party chairman from a crisis-ridden company has knocked on a cabinet minister's door. Such decisions may be difficult to make, but it is not certain that such rescue missions always lead toward the higher goal of creating as many jobs as possible.

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CS0: 3639/88

ENERGY

EUROPEAN AFFAIRS

DANISH DRILLING FIRM CHIEF INVITES NORWAY TO COOPERATE ON GAS

Copenhagen BERLINGSKE TIDENDE in Danish 23 Feb 85 p 1, Sect III p 2

[Article by Svend Bie and Henrik Grunnet: "DONG Chairman: DONG in Strategic Key Position"]

[Text] The Danish natural gas pipeline has room for three times as much natural gas as arrives from the Danish natural gas field. For this reason DONG [Danish Oil and Natural Gas] is very interested in an arrangement with Norway so the company can take gas from the Norwegian fields.

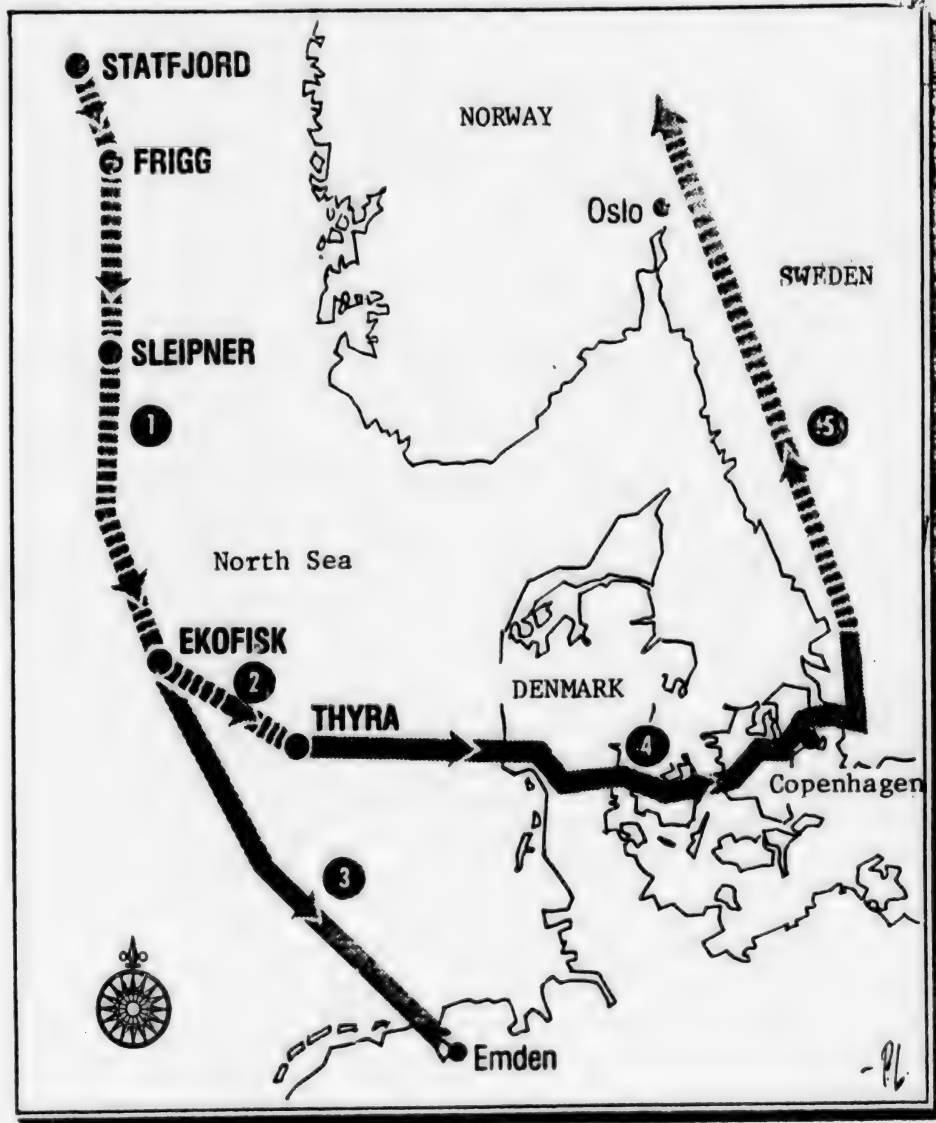
"If the Norwegians want to supply East Norway with natural gas we are in a strategically good position, which will be exploited as best as possible. We have a natural gas pipeline which the Norwegians can use, and at one time we were so far-sighted to give the pipeline a capacity which is three times greater than our own requirements," DONG Board Chairman Holger Lavesen says.

DONG has held three meetings with Statoil regarding the Norwegian gas company's being able to be permitted to use the Danish gas pipeline to transport gas from the Norwegian fields in the Atlantic Ocean, and there will be further informal meetings in March before the sides can perhaps begin actual negotiations regarding cooperation.

Statoil turned to DONG because the Norwegian company could not bring about the agreement regarding deliveries of gas to England from the Stavanger field, which was originally the intention. England would rather produce gas itself than buy it from Norway. This means that Norway must find other routes for its natural gas.

"The gas market is a buyer's market. Everyone is finding gas, and with the big gas fields it is reasonable to expect that we will have gas in Scandinavia until far into the next century," Holger Lavesen says.

He emphasizes the fact that it is on transport routes that money can be made. Norway has the most gas of the Scandinavian countries, but can first get it sold to Scandinavia when the necessary services have been arranged. Sweden is using Danish gas today, but Norway is also interested in supplying the Swedish market, and this can most likely take place by letting the gas pass through the existing Danish and Swedish pipelines.



This is how DONG imagines that the transport of gas can take place from the Norwegian fields in the North Sea to East Norway. (The solid lines are existing pipelines.) 1. The pipeline from Statfjord to the Norwegian Ekofisk field, which the Norwegians will have ready by the end of 1985. 2. The pipeline which will connect the Danish and Norwegian pipelines. 3. The existing pipeline from Ekofisk to the German city of Emden, which at the moment constitutes the Norwegian export route to Europe. 4. The Danish natural gas pipeline together with the portion of the Swedish which has already been built. 5. The planned pipeline through Göteborg to Oslo. (Illustration by Peer Lauritzen).

## On the Drawing Board

It is also a part of the Norwegian plans to supply East Norway with natural gas. And here Denmark is again playing a central role. A pipeline runs from the Danish Thyra field through Denmark to the north of Helsingborg in Sweden. And already now there are Swedish plans on the drawing board to extend the pipeline to Göteborg.

"And from Göteborg it is not far to Oslo. The Norwegians cannot just lay a pipeline across Norway because it is the shortest way. In part, it would be very difficult because of the difference in elevation, and in part there are many environmental reasons for the fact that I do not believe in this project. It is easier to hook up to our pipeline," Holger Lavesen says.

At the moment there is no pipeline from the Norwegian fields in the Atlantic Ocean to the European continent. But it will be made ready during 1985. And then there will be only about 50 km which are to be laid in addition from the Norwegian pipeline to the Danish before it will be possible to supply both Sweden and East Norway with gas.

The Norwegian company can get a share in the Danish gas pipeline by buying into DONG's subsidiary company Dansk Naturgas [Danish Natural Gas], or DONG can buy gas from Norway and then sell it further. Finally, Statoil can lease a part of DONG's gas pipeline for its own transport.

Energy Minister Knud Enggaard (Liberal Party) thinks that Denmark's own opportunities to use the gas pipeline must be protected:

"We are at a crossroads in Europe's gas system. We must of course exploit this," Knud Enggaard says.

## DUC's Monopoly Threatened

The Danish Subsoil Consortium (DUC) has hitherto been alone in supplying gas to Danish consumers, in accordance with an agreement with DONG. When the two before 1990 are to discuss further deliveries, DUC cannot not be sure of getting the agreement through.

Norway is a natural gas superpower in Europe. For this reason it is very likely that any Norwegian connection to the Danish natural gas network will have an influence on the agreements DONG has today regarding buying all its natural gas from the Danish Subsoil Consortium.

"When we are to discuss new deliveries we will of course first go to DUC, but if the Norwegians at that time can supply less expensively, we must also take up this possibility. We would most prefer to find an arrangement with DUC, but it is the business aspect which is the most important," Holger Lavesen says.

Holger Lavesen confirms, as reported in BERLINGSKE TIDENDE yesterday, that DONG has had discussions with the Norwegian national company, Statoil,



regarding Norway's being able to use the Danish natural gas pipeline to deliver its natural gas.

He is very interested in the cooperation arrangement which has been discussed between DONG and Statoil. The DONG board chairman would, however, rather avoid Norwegians' buying into DONG.

"I would instead prefer that we buy gas from the Norwegians and then sell it ourselves where there is a market for it. We have been so far-sighted to make a pipeline so it can handle three times as much gas as we ourselves need," Holger Lavesen says.

Information Chief Willy Olsen of the Norwegian Statoil national company does not think that DONG should entertain too great hopes that the cooperation will be brought about:

"We have many potential transporters for our gas and we will have discussions with them all. DONG is neither in a worse nor better situation than the rest. Statoil is interested in becoming a participant in the distribution system for gas in the North Sea, and DONG's pipeline can come under discussion. But we have no plans to buy into DONG at the moment," Willy Olsen says.

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CSO: 3613/114

ENERGY

AUSTRIA

## ELECTRICITY SUPPLY PROBLEMS, DEPENDENCE ON EAST EUROPE

Zurich NEUE ZUERCHER ZEITUNG in German 7 Feb 85 p 19

[Text] The Austrian electric power industry met the perils of the cold snap at the beginning of the year without having to burden consumers with power cutbacks. Of course, all power plant reserves--with one exception--and the mountain reservoirs, as well as the aid of Swiss and Bavarian neighbors, had to be brought in to overcome the interruption in supply from Poland and Czechoslovakia as well as the breakdown of a large Viennese thermal power plant.

Since 28 January the Soviet Union has been delivering into the Austrian grid the 472 MW of power agreed to in the electricity exchange treaty signed in 1982. The Soviets will supply power until April and begin again in October; the cooperative will deliver 590 MW of power into the Soviet grid during the summer months. Furthermore, the thaw of recent weeks in Upper and Lower Austria has ended the winter shortage of electricity from the large Danube power plants with high water in the Danube and its tributaries.

### Increasing Dependence on East Europe

From the strain on supply installations during the most recent cold spell, those responsible for the public electric power industry have concluded that the base load capacities of the electricity producing firms of the nation and of the provinces are rather short for dry spells and cold spells. Oversupplies, which the electric power industry is continually accused of having by power plant opponents, sympathetic politicians and the news media, simply do not exist.

The cutoffs which Poland and Czechoslovakia made during the cold wave should not be overrated, according to Fremuth, chairman of the cooperative. Both countries are justified under current treaties to assert their own needs and to interrupt delivery of electricity. They have already given evidence on other occasions that they were determined, even in the most difficult conditions, to fulfill their supply obligations, often even to the detriment of their own supply. Fremuth assumes the same with regard to the electricity exchange with the Soviet Union. He sees no cause for alarm due to the increased dependence on delivery of electricity from East Europe.

Of course, that does not imply that there is no reason for worry in any quarter. The management of the public electric power industry is charged with guaranteeing trouble-free electric service. The politics of energy are the government's concern. For now, it at least does not seem as though any urgency is felt to follow up on conclusions which the energy industry is drawing from its recent experience, let alone to clear the way for the electrical industry to expand base load capacity.

There is no doubt that the quickest solution would be to put the Zwentendorf nuclear power plant into operation. This would be possible within 2 and 1/2 years. Theoretically the problem is still pending. The option on the site, which was scheduled to expire at the end of last year, has been extended through the end of March 1985 by government request. However, there is no indication that the Freedom Party (FPÖ) in the coalition and the opposition People's Party (ÖVP) in Parliament are considering giving up their opposition to the operation of the nuclear power plant. It is hardly imaginable that the SPÖ [Austrian Socialist Party]/FPÖ coalition, which is totally paralyzed by the "on to Hainburg" movement and the continuing disagreement over the "Frischenschlager matter," is in a position to win in the Zwentendorf case.

The Danube power plant at Hainburg could have relieved the energy industry of its base load capacity worries within 3 years. Because of postponement of construction, it will, however, not be able to supply its more than 2 billion kWh of electricity per year to the grid in 1987 as planned, but only around the end of the decade, provided that construction of the plant ever starts. The Vienna Danube power plant, only half as large, ought to be "prioritized," but would only be able to go on line in 1990/91 (thus, after the Hainburg plant), even without opposition, which already exists.

#### Complications for Duernrohr Also

Now the cooperative can no longer count on a quick entry into operation of its power plant unit in the thermal complex at Duernrohr which is considered to be the "Zwentendorf substitute." The 430 MW capacity cooperative unit is nearing completion and was to be switched onto the grid this year. However, recently, Vice Chancellor Steger temporarily prohibited putting the plant into operation. The management was ordered not to start up the system until a denitrification facility (Denox-Anlage) is built in and ready for operation, in addition to the planned, highly modern desulfurization system. Such systems have been developed in Japan but not in Europe. Preparations for beginning production under Japanese license are in progress--under control of the electric service. But the denitrification facility, and therefore the Duernrohr power unit, can hardly be ready for operation before late winter 1986. Until then, instead of Duernrohr, the much less ecologically harmless old thermal systems must continue to be operated. In spite of all this, environmentalists, alternativists and the Greens have already announced that they intend to block Duernrohr as well as Hainburg.

Besides that, the postponement of Duernrohr is causing further complications. The cooperative was forced to ask Polish permission to interrupt delivery of

coal for electrical generation. Two semiannual deliveries--starting with mid-1985, for a total of about 360,000 tons--had to be postponed. This also affects the servicing of "coal credits" of an Austrian bank consortium under the leadership of the Creditanstalt-Bankverein. Annuities are defrayed from the proceeds of coal shipments and deposited directly to the bank consortium by the cooperative. The effect of the interruption of payments on this procedure has not yet been determined. Claims on the federal treasury under current failure-to-pay guarantees cannot be ruled out.

#### Electromagnetic Pollution

It seems as if even more opponents, added to the more or less "conventional" environmentalists, could develop for the electrical industry and its equipment suppliers from among those who also see potential danger from "electromagnetic pollution." The Ministry of Health has commissioned a study at the Siebersdorf research center; its probable result will be formulation of new standards for high voltage transmission lines. Because of this, the electric power industry has halted construction of a 380 kv line to avoid potential difficulties if an increase in the height of pylons is ordered due to "electromagnetic pollution." This has resulted in the announcement of 100 precautionary lay-offs at a branch of the national company Voest-Alpine AG which manufactures pylons.

#### Reduced Electrical Rate Increases

After a long tug of war, the trade ministry, as pricing body for the cooperative, recently approved an increase in electric rates averaging 7.9 percent for 1 April. The adjustment is well below the proposed 12.5 percent and about half the size of the price increase which has been in effect since the last rate increase at the beginning of 1982.

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CSO: 3620/264

ENERGY

BELGIUM

## NUCLEAR SHARE OF ELECTRICITY GENERATION RISING

Brussels DE STANDAARD in Dutch 2 Jan 85 p 3

[Article: "Fifty-One Percent of Belgian Electricity Form Nuclear Energy; Consumption Up 5 Percent in 1984"]

[Text] During the past year the net consumption of electricity in our country rose by 5 percent to 48,116 GWh (Gigawatt/hour). The increase came very gradually during all of 1984 except for the last 2 months when some decline was noted as a result of the mild fall. This is stated in the brochure "Electricity 1984" which was disseminated Monday by the Trade Federation of Producers and Distributors of Electricity in Belgium. In particular, the consumption of the industrial sector rose considerably, with an increase of 6.7 percent.

According to information available to the federation on Monday, consumption rose in almost all industrial sectors. However, the chemical and metallurgical industries played an especially important role in it, contributing to the increase in electricity demand.

The low-voltage consumption, which is still adversely affected by the decreasing buying power of the population, rose by 2.5 percent to 15,233 GWh. The service sector used 4 percent more high-voltage current and recorded a total consumption of 6,312 GWh in 1984.

In accordance with developments of the past few years, the increase in electricity consumption in our country fluctuated around the average of the other countries within the EEC.

### Psychological

A remarkable psychological shift can be noted in production. Last year, for the first time, nuclear energy with an increase of 15.5 percent--which yielded an absolute production level of 26,380 GWh--drove traditional thermal power plants from first place in our country's energy supply.

Of a total production of 51,986 GWh, nuclear power plants accounted for almost 51 percent, thermal power plants 46.5 percent (28 percent coal, 10 percent gas and 9 percent oil), and hydraulic installations accounted for a few remaining percents.



Of course, that development is a result of the continuing shift from liquid fuel to cheaper and more reliable, primary energy sources. In 1985 nuclear energy will take another important step forward in our country by putting Doel IV, with a capacity of 980 Megawatts (MW), and Tihange III (980 MW) in operation.

A pleasant side effect of the shift to nuclear energy is--apart from lower costs--having to dispose of considerably less waste products such as  $\text{SO}_2$  and  $\text{NO}_x$ . In 1983 already 40 percent less  $\text{SO}_2$  had to be disposed of than in 1980, and after the next nuclear power plant has been put in operation, it will probably be about 60 percent less in 1986.

The amount of the investment for production, transport and distribution is estimated at 38.2 billion Belgian francs for 1984, which is a little more than in 1983.

12433

CSO: 3614/57

1 April 1985

ENERGY

NORWAY

## OIL DIRECTORATE TAKES STEP TOWARD OPENING BARENTS EXPLORING

Oslo AFTENPOSTEN in Norwegian 26 Feb 85 p 36

[Article: "Barents Sea Environment Charted"]

[Text] In a short time the Oil Directorate will begin a comprehensive program for the gathering of environmental data in the Barents Sea with the idea of the region's in not too long a time being opened for exploratory drilling for oil and gas. The easternmost point for the stationing of observation buoys and a special vessel has been set at 31 degrees east latitude, i.e., the western part of Sentralbanken [Central Bank].

The program which is now being begun includes the charting of currents, winds, wave heights, salinity and temperatures. In addition, with the special equipment on the new vessel information will be gathered on the icing problems which arise on hulls and rigging in northern waters. Under extreme conditions, the icing can mean a danger to both vessels and drilling rigs and permanent installations. In this work it is figured that benefit will be derived from the data which the Soviet Russians have obtained from their fishing fleet in the Barents Sea over a number of years.

The new exploration program will cost about 12 million kroner per year. Of this the Oil Directorate will pay 8 million kroner. The remainder will be paid by the ODAP (Oceanographic Data Project) group, which is a collaboration group for the oil companies which has been given operator status north of 62 degrees latitude.

8985

CSO: 3639/86

ENVIRONMENTAL QUALITY

SWEDEN

GOVERNMENT ACTION PLAN INCLUDES CLEANING AIR, CAR EXHAUSTS

Oslo AFTENPOSTEN in Norwegian 28 Feb 85 p 9

[Article by Morten Fyhn]

[Text] Stockholm, 27 February--Sweden will now intensify its efforts against air pollution and acid rain. Strict new measures will drastically reduce harmful emissions from industry and automobiles.

According to a plan of action presented by the government, so-called catalytic purification of automobile exhaust will be obligatory beginning with 1989 models. Unleaded gasoline will be available throughout the country beginning in the summer of 1986. As of 1 July the following year, all gasoline stations must have unleaded gasoline. Unleaded gasoline is now available at many stations, but the government has decided against a tax rebate of 20 ore per liter, as proposed by the Environmental Protection Board.

In addition, the government supports measures that would reduce sulfur dioxide emissions by 65 percent and nitrogen oxides by 30 percent by the year 1995, based on the 1980 level of emissions. Based on today's level of sulfur emissions, about 300,000 tons per year, the plan would mean a reduction of about 30 percent over 10 years. In 1976 the annual rate of sulfur emissions in Sweden was 800,000 tons. In the area of industrial sulfur emissions, the goal is to reduce the current level of 100,000 tons by half over the next 10 years.

The problem for Sweden, as for Norway and other countries, is that most of their sulfur fallout is "imported." In Sweden, 85 percent of the fallout comes from other countries, of which Great Britain is responsible for the largest share. So far, 20 countries have backed a Nordic proposal to reduce sulfur emissions at least 30 percent by 1993. Great Britain is not among these countries, however, which has created certain irritation in Sweden--directed toward the Thatcher government. When Agriculture Minister Svante Lundkvist presented the government's plan of action, he did not hesitate to point out that he had found more understanding among the Labour opposition for these problems than among the Conservative government.

Along with the other Nordic countries, the Swedish government wants to continue its active negotiations to achieve binding agreements from as many

countries as possible to reduce sulfur emissions. With regard to international cooperation on automobile exhaust, the Nordic environment ministers proposed last year that unleaded gasoline and the most effective purification technology available be used. It was stressed that steps would be taken in cooperation with other countries. This spring a ministers' meeting will be held in Stockholm to approve a proposed agreement on joint regulations for exhaust purification. In addition to the Nordic countries, the following nations will participate: Canada, the Netherlands, West Germany, Switzerland, Austria, and Liechtenstein.

A transition in Sweden to so-called catalytic purification of automobile exhaust presupposes international unity. This was stated by Agriculture Minister Lundkvist. But such unity is not immediately forthcoming. The EC Commission has recommended that all member nations have unleaded gasoline by 1989. No agreement has been reached on catalytic purification. Within the EC, West Germany is retreating under sharp pressure from automobile-producing countries such as France, Italy, and Great Britain, which fear competition from Japanese manufacturers. The West German government, for its part, has decided to introduce catalytic purification beginning in 1989, but disagreement within the EC may prevent this measure from being carried out. As a result, Sweden would hardly be in a position to introduce catalytic purification of automobile exhaust.

Annual emissions of nitrogen oxides in Sweden are about 320,000 tons, two thirds of which is caused by traffic. The Swedish government hopes that its plan of action will reduce emissions to 200,000 tons within 10 years. But this presupposes international agreement in the area of automobile exhaust.

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CSO: 3639/88

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12 APRIL 85